

In the opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS."



\$30,005,000
CASCADE WATER ALLIANCE
(King County, Washington)
Water System Refunding Revenue Bonds, 2020 (Taxable)

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Water System Refunding Revenue Bonds, 2020 (Taxable) (the "Bonds") are being issued by Cascade Water Alliance ("Cascade"), a joint municipal utility services authority organized under the laws of the state of Washington (the "State") for the purpose of providing wholesale water supply to meet future demands of its Members (defined herein). Cascade is issuing the Bonds to pay the cost of refunding a portion of its outstanding Water System Revenue Bonds, 2012, to effect a debt service savings and to pay the costs of issuing and selling the Bonds. The Bonds are being issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial Securities Depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of such interests will not receive certificates representing their interests in the Bonds. Principal of and interest on the Bonds are payable directly to DTC by the fiscal agent of the State, currently U.S. Bank National Association, as paying agent and registrar (the "Registrar").

Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2021, to the maturity or earlier redemption of the Bonds. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to its participants for subsequent disbursement to the purchasers of beneficial interests in the Bonds, as described under the heading "DESCRIPTION OF THE BONDS" and in Appendix C – "BOOK-ENTRY TRANSFER SYSTEM."

The Bonds are subject to redemption prior to their stated maturities as described herein.

The Bonds are payable from and secured by a pledge of and lien on Cascade's Net Revenue as described herein. The pledge of Net Revenue for the payment of the Bonds, all outstanding Parity Bonds, all Future Parity Bonds, all Payment Agreement Payments, and all payments required to be made into the Reserve Account under any Parity Bond Authorizing Resolution constitutes a charge upon the Net Revenue superior to any other charges whatsoever.

The Bonds are payable solely from Cascade's Net Revenue and money and investments held by Cascade in certain funds, which are pledged to the payment of principal of and interest on the Bonds and the Parity Bonds. The Bonds are not general obligations of Cascade. The Bond Resolution does not pledge to the payment of the Bonds the full faith and credit or taxing power of any Member. No Member is responsible for payment of the Bonds except as set forth in the Joint Agreement described herein. The Bonds will not be secured by a mortgage, deed of trust, or other security interest in any of Cascade's physical assets. The Bonds are not an obligation of the State or any political subdivision thereof other than Cascade. Cascade has no taxing power.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as, and if issued, and are subject to receipt of the legal opinion of Bond Counsel to Cascade and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer on or about December 23, 2020.

\$30,005,000
Cascade Water Alliance
(King County, Washington)
Water System Refunding Revenue Bonds, 2020 (Taxable)

Due September 1	Principal Amount	Interest Rate	Yield	CUSIP No. ⁽¹⁾
2021	\$ 895,000	2.00%	0.20%	14739H DZ1
2022	745,000	2.00	0.25	14739H EA5
2023	190,000	2.00	0.30	14739H EB3
2024	1,780,000	2.00	0.35	14739H EC1
2025	1,815,000	2.00	0.45	14739H ED9
2026	1,850,000	2.00	0.60	14739H EE7
2027	1,890,000	2.00	0.75	14739H EF4
2028	1,925,000	2.00	0.90	14739H EG2
2029	1,965,000	2.00	1.05	14739H EH0
2030	2,005,000	2.00	1.20	14739H EJ6
2031	2,045,000	1.30	1.30	14739H EK3
2032	2,070,000	1.40	1.40	14739H EL1
2033	2,100,000	1.50	1.50	14739H EM9
2034	2,130,000	1.55	1.60	14739H EN7
2035	2,160,000	1.65	1.70	14739H EP2
2036	2,200,000	1.75	1.80	14739H EQ0
2037	2,240,000	1.85	1.90	14739H ER8

⁽¹⁾ The CUSIP numbers herein are provided by the CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with Cascade and are provided solely for convenience and reference. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds. Cascade takes no responsibility for the accuracy of the CUSIP numbers.

CASCADE WATER ALLIANCE

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Members of Cascade Water Alliance

City of Bellevue
City of Issaquah
City of Kirkland
City of Redmond
Sammamish Plateau Water and Sewer District
Skyway Water and Sewer District
City of Tukwila

Board of Directors

John Stokes, City of Bellevue	Chair
Penny Sweet, City of Kirkland	Vice Chair
Angela Birney, City of Redmond	Secretary/Treasurer
Lloyd Warren, Sammamish Plateau Water and Sewer District	Member
Mary Lou Pauly, City of Issaquah	Member
Allan Ekberg, City of Tukwila	Member
Jon Ault, Skyway Water and Sewer District	Member

Administrative Staff

Ray Hoffman, Chief Executive Officer
Melina Thung, Chief of Staff
Chris Paulucci, Manager of Finance and Administration
Henry Chen, Engineering and Capital Projects Director
Edward Cebron, Chief Economist & Treasurer

Treasury Operations

King County Department of Executive Services
Finance and Business Operations Division, Treasury Operations Section

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Seattle, Washington

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Foster Garvey PC
Seattle, Washington

Financial Advisor

Northwest Municipal Advisors
Bellevue, Washington

Registrar

Washington State Fiscal Agent
U.S. Bank National Association
Seattle, Washington

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between Cascade and the purchasers or owners of any of the Bonds. The cover page and the inside cover page hereof and appendices attached hereto are part of this Official Statement.

No dealer, broker, sales representative or other person has been authorized by Cascade to give any information or to make any representations in connection with the offering made hereby other than as contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by Cascade. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

In connection with the offering of the Bonds, the Purchaser may over allot or effect transactions that stabilize or maintain the market price of such Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” The words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Cascade does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The information set forth herein has been furnished by Cascade, the Members, King County, DTC, and certain other sources that Cascade believes to be reliable. The information and expressions of opinion contained herein are subject to change without notice. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized.

None of the websites referenced in this Official Statement, including Cascade’s, is included as a part of this Official Statement. Investors should not rely on information presented in such websites in determining whether to purchase the Bonds. References to any website addresses are not hyperlinks and do not incorporate the websites by reference.

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OFFICIAL STATEMENT
\$30,005,000
Cascade Water Alliance
(King County, Washington)
Water System Refunding Revenue Bonds, 2020 (Taxable)

INTRODUCTION

Cascade Water Alliance (“Cascade”) furnishes this Official Statement, which includes the cover page, inside cover page and the appendices, in connection with the sale of its Water System Refunding Revenue Bonds, 2020 (Taxable) (the “Bonds”). Capitalized terms not defined herein shall have the meanings assigned to them in the Bond Resolution or in the Joint Agreement, each as defined herein. The form of the Bond Resolution is included as Appendix B.

Cascade is a joint municipal utility services authority organized under the laws of the state of Washington (the “State”) and a Joint Municipal Utilities Services Agreement entered into by the Members dated March 28, 2012 (the “Joint Agreement”). Cascade was formed for the purpose of providing wholesale water supply to meet future demands of its Members. The Members are the cities of Bellevue, Issaquah, Kirkland, Redmond and Tukwila, Sammamish Plateau Water and Sewer District and Skyway Water and Sewer District (collectively, the “Members”).

Cascade was formed in 1999 as a nonprofit corporation under the terms of an interlocal agreement dated April 1, 1999, as amended and restated on December 15, 2004 (the “Interlocal Agreement”). The Interlocal Agreement contained provisions to allow Cascade to convert to a joint operating agency or other municipal corporation if permitted under State law. The State Legislature in 2011 enacted legislation, codified as chapter 39.106 of the Revised Code of Washington (“RCW”), which provided for the creation or conversion of existing intergovernmental associations to joint municipal utility services authorities. In compliance with the requirements of chapter 39.106 RCW, the Members agreed to such conversion by amendment to the Interlocal Agreement.

Under the Joint Agreement, the Members have agreed to pay to Cascade the Member Charges described in “MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Charges.” Member Charges comprise Cascade’s principal source of Gross Revenue, as defined and described in “SECURITY FOR THE BONDS – Pledge Under the Bond Resolution.”

The Bonds are secured by a pledge of and lien on Net Revenue on a parity with the pledge and lien securing Cascade’s Water System Revenue Bonds, 2012 (the “2012 Bonds”), Water System Refunding Revenue Bonds, 2014 (the “2014 Bonds”), and Water System Improvement and Refunding Revenue Bonds, 2019 (the “2019 Bonds”). See “CASCADE DEBT – Outstanding Debt.” The Bonds, the 2012 Bonds, the 2014 Bonds, the 2019 Bonds, and any bonds that Cascade may issue in the future secured by a pledge of and lien on Net Revenue on a parity with the pledge and lien securing the Bonds, the 2012 Bonds, the 2014 Bonds, and the 2019 Bonds (“Future Parity Bonds”), are referred to collectively as “Parity Bonds.”

Cascade is issuing the Bonds to pay the cost of refunding a portion of the outstanding 2012 Bonds to effect a debt service savings and to pay the costs of issuing and selling the Bonds. See “PURPOSE AND APPLICATION OF BOND PROCEEDS – Refunding Plan.”

The COVID-19 pandemic is currently affecting local, State, national, and global economic activity. The COVID-19 pandemic is expected to materially adversely impact the financial condition of the State and its local governments, from increased costs and revenue reductions due to reductions in taxable economic activity. This Official Statement presents historical data, which may not be indicative of near-term trends in light of the unprecedented nature of the COVID-19 pandemic. Investors should exercise caution when relying on such information. For a discussion of impacts of the COVID-19 pandemic on Cascade, see “CASCADE WATER ALLIANCE – Impact of COVID-19 Pandemic.”

DESCRIPTION OF THE BONDS

General

The Bonds will be dated their date of delivery (the “Issue Date”), will be issued in denominations of \$5,000 or any integral multiple thereof within a maturity, and will bear interest from their dated date (or the most recent date to which interest has been paid or duly provided for, whichever is later) at the rates per annum set forth on the inside cover page. Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2021, until maturity or prior redemption. The Bonds will mature, subject to redemption prior to maturity, on the dates and in the amounts set forth on the inside cover page. Interest is to be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Authorization

The Bonds are being issued pursuant to chapters 39.106, 39.46, and 39.53 RCW and Resolution No. 2020-15 adopted by the Board of Directors of Cascade (the “Board”) on October 28, 2020 (the “Bond Resolution”).

Registration and Payment

The Bonds are being issued only as fully registered bonds under a book-entry only system and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”) in New York, New York, which is to act as initial Securities Depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of principal of and interest on the Bonds are to be made by the fiscal agent of the State, currently U.S. Bank National Association (the “Registrar”), to DTC, which is obligated to remit such payments to its participants for subsequent disbursement to beneficial owners. See Appendix C for a description of DTC and its book-entry system.

Principal of and interest on each Bond are payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the DTC or its nominee are payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the DTC or its nominee is payable by electronic transfer on the interest payment date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. Cascade is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the DTC or its nominee is payable at final maturity or upon prior redemption in whole only upon presentation and surrender of the Bond by the Registered Owner to the Registrar.

Neither Cascade nor the Registrar will have any obligation to DTC participants or the persons for whom they act as nominees regarding accuracy of any records maintained by DTC or its participants. Neither Cascade nor the Registrar will be responsible for any notice that is permitted or required to be given to the Registered Owner of a Bond registered in the name of DTC or its nominee except such notice as is required to be given by the Registrar to DTC.

Transfer and Exchange

A Bond surrendered to the Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same maturity, and interest rate. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Registrar. Any exchange or transfer will be without cost to the Registered Owner or transferee. The Registrar is not obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the redemption date.

Each Bond registered in the name of DTC or its nominee will be held fully immobilized in book-entry only form by DTC in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of DTC or its nominee may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by Cascade; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of DTC, or upon a termination of the services of DTC by Cascade, Cascade may appoint a substitute Securities Depository. If (i) DTC resigns and Cascade does not

appoint a substitute Securities Depository, or (ii) Cascade terminates the services of the Securities Depository, the Bonds no longer will be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in the Bond Resolution. See Appendix C for a description of DTC and its book-entry system.

Redemption Provisions

Optional Redemption. The Bonds stated to mature in the years 2021 through 2030, inclusive, are not subject to optional redemption prior to maturity. The Bonds stated to mature on or after September 1, 2031, are subject to redemption prior to their respective stated maturity dates, at the option of Cascade, from any source of available funds, on any date on or after September 1, 2030, as a whole or in part, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption. Cascade may rescind any notice of optional redemption on or prior to the scheduled optional redemption date. See “Notice of Redemption” below.

Partial Redemption. If fewer than all of the outstanding Bonds are to be redeemed at the option of Cascade, Cascade will select the maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity are to be redeemed, DTC will select Bonds registered in the name of DTC or its nominee to be redeemed in accordance with the Letter of Representations.

Bonds within a maturity registered in the name of DTC or its nominee are to be selected for redemption on a “pro rata pass-through distribution of principal” basis in accordance with the Letter of Representations. Although redemption allocations made by DTC, DTC participants, or other intermediaries are intended to be made on a “pro rata pass-through distribution of principal” basis, Cascade can provide no assurance that DTC, DTC participants, or other intermediaries will allocate redemptions on such basis.

The Registrar will select all other Bonds to be redeemed randomly in such manner as the Registrar determines. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination.

Notice of Redemption

Notice of redemption of each Bond registered in the name of DTC or its nominee is to be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, is to be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements described in the preceding sentence will be satisfied when notice has been mailed as so provided, whether or not it is actually received by a Registered Owner.

In the case of an optional redemption, the notice of redemption may state that Cascade retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded will be of no effect, each Bond for which a notice of optional redemption has been rescinded will remain outstanding, and the rescission will not constitute an Event of Default.

Effect of Redemption

Interest on each Bond called for redemption will cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as described above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

Purchase of Bonds

Cascade has reserved the right to purchase any or all of the Bonds in the open market or offered to Cascade at any time at any price acceptable to Cascade plus accrued interest to the date of purchase.

Cancellation of Bonds

All Bonds purchased for cancellation or redeemed are to be canceled.

Failure to Pay Bonds

If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, Cascade is obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner. The remedy of acceleration is expressly denied to the Registered Owners under any circumstances including upon the occurrence and during the continuance of an Event of Default.

Refunding or Defeasance of the Bonds

If Cascade deposits irrevocably with an escrow agent money and/or noncallable Government Obligations which, together with the earnings thereon, are sufficient, without any reinvestment thereof, to pay the principal of any particular Bond or Bonds or portions thereof becoming due (the “Defeased Bonds”), together with all interest accruing thereon to the due date or redemption date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, all liability of Cascade with respect to the Defeased Bonds will cease, the Defeased Bonds will be deemed not to be outstanding under the Bond Resolution and the Registered Owners of the Defeased Bonds will be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds. The escrow agent is to hold that money, Government Obligations and earnings in trust exclusively for those Registered Owners and that money, Government Obligations and earnings is not to secure any other Parity Bonds under the Bond Resolution.

“Government Obligations” means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

PURPOSE AND APPLICATION OF BOND PROCEEDS

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of the Bond proceeds, rounded to the nearest dollar.

<u>Sources of Funds</u>	
Par Amount of the Bonds	\$30,005,000
Net Original Issue Premium	977,800
Other Cascade Funds	1,762,117
Total Sources of Funds	<u>\$32,744,917</u>
<u>Uses of Funds</u>	
Deposit with Refunding Trustee	\$32,258,627
Costs of Issuance ⁽¹⁾	486,290
Total Uses of Funds	<u>\$32,744,917</u>

⁽¹⁾ *Costs of issuance include legal fees, financial advisor’s fee, underwriting fee, rating agency fee, escrow verification fee, other costs incurred in connection with the issuance of the Bonds, and a contingency amount.*

Refunding Plan

Cascade will refund the 2012 Bonds set forth below (the “Refunded Bonds”).

Refunded Bonds

Cascade Water Alliance Water System Revenue Bonds, 2012

Maturity Date (January 1)	Principal Amount	Interest Rate	Redemption Date (at par)	CUSIP No. 14739H
2025	\$ 1,590,000	4.00%	1/01/2023	CD1
2026	1,650,000	4.00	1/01/2023	CE9
2027	1,715,000	4.00	1/01/2023	CF6
2028	1,785,000	4.00	1/01/2023	CG4
2029	1,855,000	4.00	1/01/2023	CH2
2030	1,930,000	4.00	1/01/2023	CJ8
2031	2,010,000	4.00	1/01/2023	CK5
2032	2,090,000	4.00	1/01/2023	CL3
2033	2,170,000	4.00	1/01/2023	CM1
2034	2,260,000	4.00	1/01/2023	CN9
2035	2,350,000	5.00	1/01/2023	CP4
2036	2,465,000	5.00	1/01/2023	CQ2
2038 ⁽¹⁾	5,310,000	5.00	1/01/2023	CS8
Total	\$29,180,000			

(1) Term Bonds.

On the Issue Date, Cascade will enter into a Refunding Trust Agreement with U.S. Bank National Association, as Refunding Trustee, to provide for the advance refunding of the Refunded Bonds. The refunding is being undertaken to achieve a debt service savings. The Refunding Trust Agreement will create an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. The net proceeds of the Bonds deposited with the Refunding Trustee will be invested in noncallable Government Obligations (the “Acquired Obligations”) that will mature and bear interest at rates sufficient, together with cash held by the Refunding Trustee, to pay the principal of and accrued interest coming due on the redemption date of the Refunded Bonds. The money and Acquired Obligations and earnings thereon in the trust fund will be held solely for the benefit of the registered owners of the Refunded Bonds.

The mathematical accuracy of (1) the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and beginning cash balances, if necessary, to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above, and (2) the computations supporting the conclusion of Bond Counsel that the Refunded Bonds are not “arbitrage bonds” under Section 148 of the Code, will be verified by Causey Demgen & Moore P.C., independent certified public accountants.

SECURITY FOR THE BONDS

Pledge Under the Bond Resolution

The Bonds are payable from and secured by a pledge of Cascade’s Net Revenue and all money and investments held by Cascade in its water system revenue bond fund (the “Bond Fund”), its rate stabilization fund, its RCFC Fund into which regional capital facilities charges (“RCFCs”) are deposited, and its construction fund (except money and investments held in a separate fund or account created for the purpose of compliance with rebate requirements under the Internal Revenue Code of 1986, as amended (the “Code”). This pledge of Net Revenue constitutes a charge upon the Net Revenue superior to any other charges whatsoever and on a parity with the pledge of and lien on Net Revenue securing the Parity Bonds, payments to be made under certain interest rate management agreements related

to Parity Bonds (“Payment Agreement Payments”) that may be entered into in the future and all payments required to be made into the Reserve Accounts under any resolution authorizing the issuance of Parity Bonds (each, a “Parity Bond Authorizing Resolution”), in each case subject to specific conditions.

The Bond Resolution provides that the Parity Bonds are payable solely from Net Revenue and from the funds expressly set forth in the Bond Resolution. The Parity Bonds are not general obligations of Cascade, and Cascade has no taxing power. The Bond Resolution does not pledge to the payment of the Parity Bonds the full faith and credit or taxing power of any Member. No Member is responsible for payment of the Parity Bonds except as set forth in the Joint Agreement.

“Net Revenue” for any fiscal year (or other designated twelve-month period) means the Gross Revenue for that fiscal year (or other designated twelve-month period) less Operations and Maintenance Costs for that fiscal year (or other designated twelve-month period). In calculating Net Revenue, Cascade is not to take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses.

“Gross Revenue” means all of the earnings and revenues received by Cascade from any source whatsoever, including but not limited to: (i) Member Charges; (ii) revenues from the sale, lease or furnishing of other commodities, services, properties or facilities; (iii) the receipt of earnings from the investment of money in any maintenance fund or similar fund; and (iv) withdrawals from the Rate Stabilization Fund. Member Charges include all payments that Members are required by the Joint Agreement to make to Cascade, including but not limited to all rates and charges, RCFs, dues, assessments and other payments from Members. See “MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Charges.” Gross Revenue does not include: (i) principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (ii) income and revenue which may not legally be pledged for revenue bond debt service; (iii) improvement district assessments; (iv) federal or state grants allocated to capital projects; (v) payments under bond insurance or other credit enhancement policy or device; (vi) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (vii) earnings in any construction fund or bond redemption fund; (viii) deposits to the Rate Stabilization Fund; or (ix) any revenues generated by any Member’s Water Supply Assets that are not part of the System, except those amounts that are payable to Cascade pursuant to the Joint Agreement or another interlocal agreement. “Water Supply Assets” are defined in the Joint Agreement as tangible and intangible assets usable in connection with the provision of water supply, including real property, physical facilities, water rights, capacity and/or contractual rights in facilities or resources owned by other entities and investments in conservation programs and facilities.

“Operations and Maintenance Costs” means all expenses incurred by Cascade to operate and maintain the System in good repair, working order and condition, including without limitation, payments made to any other public or private entity for water or other utility service. Operations and Maintenance Costs do not include any depreciation, capital additions or capital replacements to the System.

The Bonds will not be secured by a mortgage, deed of trust or other security interest in any of Cascade’s physical assets. The Bonds do not constitute a debt, liability or obligation of the State or any political subdivision thereof, nor the contracting of indebtedness or a pledge of the full faith and credit or taxing power of the State or any political subdivision thereof. The Bonds are payable solely from Cascade’s Net Revenue and money and investments held by Cascade in certain funds and are not secured by a pledge of the full faith and credit or taxing power of any Member or the revenue, assets or funds of any Member and are not payable from the revenue, assets or funds of any Member, except as expressly provided in the Joint Agreement and the Bond Resolution. The Bonds are not obligations of King County, the State or of any of the Members. The Bonds are not general obligations of Cascade. Cascade has no taxing power.

The Joint Agreement

Under the Joint Agreement, the Members have made certain covenants, including covenants regarding payment of Member Charges, step up provisions, the binding nature of Member obligations, Member disputes, Member withdrawal, disincorporation of Cascade, preservation of tax exemption for interest on tax-exempt Parity Bonds,

Parity Bond owner reliance, and sale of water to non-Members. See “MEMBER COVENANTS UNDER THE JOINT AGREEMENT.”

Flow of Funds

Gross Revenue of Cascade may be used for the following purposes only and is to be applied in the following order of priority:

- (a) To pay when due the Operations and Maintenance Costs;
- (b) To make when due all payments required to be made into the Debt Service Account in respect of interest on Parity Bonds and Payment Agreement Payments;
- (c) To make when due all payments required to be made into the Debt Service Account in respect of Principal of and premium, if any, on Parity Bonds, whether at maturity or pursuant to prior redemption, and to make payments due under any reimbursement agreement with a Bond Insurer that requires those payments to be made on a parity with the Parity Bonds;
- (d) To make when due all payments required to be made into the Reserve Accounts, all payments required to be made under any agreement relating to the provision of Reserve Insurance, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider that requires those payments to be made on a parity with the payments required to be made into the Reserve Accounts;
- (e) To make when due all payments required to be made under any reimbursement agreement with a Bond Insurer other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider other than payments to be made on a parity with the payments required to be made into the Reserve Accounts, in any priority not inconsistent with any Parity Bond Authorizing Resolution that Cascade may hereafter establish by resolution;
- (f) To make when due all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay or to secure the payment of any revenue bonds, notes, warrants or other obligations of Cascade having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment of the principal of and premium, if any, and interest on Parity Bonds, all payments to be made under Payment Agreements, and any payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, in any priority not inconsistent with any Parity Bond Authorizing Resolution that Cascade may hereafter establish by resolution; and
- (g) For any other lawful System purposes, in any priority not inconsistent with any Parity Bond Authorizing Resolution that Cascade may establish by resolution.

Cascade may transfer any money from any funds or accounts of the System legally available therefor, except money irrevocably deposited in redemption, retirement or defeasance trust accounts for Parity Bonds, to meet the required payments to be made into the Bond Fund.

Rate Covenant

Cascade has covenanted, for so long as any Parity Bonds are outstanding, to establish, maintain and collect Member Charges consistent with the Joint Agreement so that:

- (a) The Gross Revenue in each fiscal year will be sufficient to pay when due (i) all Operations and Maintenance Costs for that fiscal year, (ii) all amounts that Cascade is obligated to pay into the Bond Fund and the accounts therein for that fiscal year, (iii) all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof for that fiscal year, and (iv) any and all other amounts that Cascade is obligated to pay from the Gross Revenue by law or contract in that fiscal year; and
- (b) The Coverage Requirement will be satisfied in each fiscal year.

“Coverage Requirement” in any fiscal year (or other designated twelve-month period) means that Net Revenue in that fiscal year (or other designated twelve-month period) minus RCFCs received in that fiscal year (or other designated twelve-month period) plus amounts on deposit in the Debt Service Account on the last business day prior to the commencement of that fiscal year (or other designated twelve-month period), is at least equal to the Annual Debt Service on all outstanding Parity Bonds and the amount, if any, required to be deposited in any Reserve Account securing Parity Bonds in that fiscal year (or other designated twelve-month period).

Cascade has covenanted that, consistent with its obligations under the Joint Agreement, except as may be required under the provisions of any federal or State statute, regulation or license, Cascade will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the System free of charge to any person, firm or corporation, public or private.

Covenant to Enforce the Joint Agreement

Cascade has covenanted in the Bond Resolution to enforce the provisions of the Joint Agreement, including the provisions providing for payment of Member Charges, the step up provisions and provisions requiring any withdrawing Member to continue payment of its allocable share of debt service on the Parity Bonds as a “then-existing obligation of Cascade.” Cascade is not permitted to waive any right or to fail to declare any default under or in connection with the Joint Agreement that would reduce the payments or extend the dates for payments to Cascade provided therein or would materially adversely affect the security of the Registered Owners of any Parity Bonds then outstanding.

Certain Additional Covenants

In the Bond Resolution, Cascade has also made covenants and agreements relating to operation and maintenance of the System; sale, transfer or disposition of the System; liens upon the Net Revenue; maintenance of books and accounts; maintenance of insurance; and application of condemnation awards and insurance proceeds. See Appendix B – “FORM OF BOND RESOLUTION,” Section 15.

Bond Fund

Cascade has established the Bond Fund, and within the Bond Fund, the Debt Service Account and the Common Reserve Account. The Common Reserve Account and any separate reserve account created to secure Future Parity Bonds are collectively referred to as the “Reserve Accounts.”

So long as any Parity Bonds are outstanding, Cascade has agreed to set aside and to pay into the Bond Fund, out of the Net Revenue, certain fixed amounts without regard to any proportion, as follows:

Debt Service Account. On the first business day of each month, an amount equal to 1/6th of the interest on the outstanding Bonds to become due and payable on the next interest payment date and 1/12th of the principal on the outstanding Bonds to become due and payable on the next principal payment date for the Bonds, except that the monthly deposits with respect to any payment date may be reduced to the extent the amount on deposit in the Debt Service Account and available to be used therefor is sufficient to make that payment on that payment date.

Reserve Accounts. Except as otherwise expressly provided in the Bond Resolution, the amount necessary to make the balance in the Reserve Accounts equal to the Reserve Requirement.

The Bond Resolution provides that the fixed amounts described above are to be a lien and charge against Net Revenue.

No Reserve Requirement for Bonds. The Common Reserve Account secures payment of the 2012 Bonds and the 2014 Bonds. **The Bonds and the 2019 Bonds are not secured by the Common Reserve Account or any other Reserve Account.**

RCFC Fund

Cascade has established the RCFC Fund for the deposit of RCFCs each year. RCFCs are paid to Cascade by each Member for each new equivalent residential unit connected to its water distribution system, and are intended to allocate growth costs to those Members that require capacity increases due to growth in customer demand. The RCFC Fund is pledged to the payment of the Parity Bonds. RCFC funds not transferred into the Debt Service Account are typically transferred to the construction fund annually. The balance in the RCFC Fund as of October 31, 2020 was \$2,880,805.

Rate Stabilization Fund

Cascade has established a Rate Stabilization Fund. The Bond Resolution provides that Cascade may at any time, as determined by Cascade and consistent with the Bond Resolution, deposit Gross Revenue other than RCFCs in the Rate Stabilization Fund. Cascade may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in the Gross Revenue and disbursement consistent with “Flow of Funds” above. If a deposit or withdrawal is made within 90 days after the end of a fiscal year, Cascade may specify that the deposit or withdrawal is to be allocated to the prior fiscal year rather than to that fiscal year. Deposits to the Rate Stabilization Fund are excluded from the definition of “Gross Revenue” and are not to be treated as Gross Revenue until withdrawn from the Rate Stabilization Fund. No deposit of Gross Revenue may be made into the Rate Stabilization Fund to the extent that such deposit would prevent Cascade from satisfying the Coverage Requirement in any fiscal year.

The balance in the Rate Stabilization Fund as of October 31, 2020 was \$2,117,958.

Future Parity Bonds and Payment Agreements

Cascade may issue Future Parity Bonds and enter into Payment Agreements only for lawful System purposes and only if the conditions set forth in the Bond Resolution, and summarized below, are met and complied with at the time of the issuance of those Future Parity Bonds or entry into that Payment Agreement. Cascade does not have authority to issue bonds with a pledge of or lien on Net Revenue superior to the pledge of and lien on Net Revenue securing the Bonds. Under current State law, Cascade does not have express authority to enter into Payment Agreements. Cascade may or may not gain such legal authority in the future. The following are conditions to the issuance of Future Parity Bonds:

- (a) There is no deficiency in the Bond Fund;
- (b) Except in the case of Future Parity Bonds being issued for the sole purpose of providing for the costs of refunding Parity Bonds for which no coverage certification is required by the Bond Resolution, no Event of Default, nor any event or condition which with notice and/or the passage of time would constitute an Event of Default, has occurred and is continuing, nor may the issuance of those Future Parity Bonds or the entry into that Payment Agreement, in and of itself, cause an Event of Default or any event or condition which with notice and/or the passage of time would constitute an Event of Default;
- (c) The Parity Bond Authorizing Resolution must provide for the payment of the principal of and interest on those Future Parity Bonds or Payment Agreement Payments out of the Bond Fund;
- (d) The Parity Bond Authorizing Resolution must provide for the deposit into the Reserve Accounts of any combination of Future Parity Bond proceeds, Reserve Insurance, or other money legally available, in the amount, if any, necessary to make the amount on deposit in the Reserve Accounts equal to the Reserve Requirement for Parity Bonds upon the issuance of those Future Parity Bonds; and
- (e) There must be on file with Cascade a certificate of the Chief Executive Officer or an Independent Consulting Engineer, as the case may be, demonstrating compliance with the coverage requirements of the Bond Resolution. The certificate may take into account certain adjustments, as set forth in the Bond Resolution. See Appendix B – “FORM OF BOND RESOLUTION,” Section 17.

If the Future Parity Bonds are for the sole purpose of refunding Parity Bonds (including costs of issuance and providing for the Reserve Requirement), no certificate is required under the Bond Resolution if, as a result of the

issuance of those Future Parity Bonds, (a) the various annual maturities of the refunding Future Parity Bonds will not extend more than a year longer than the Parity Bonds being refunded and (b) the Annual Debt Service on all outstanding Parity Bonds will not increase more than \$5,000 in any fiscal year in which the Parity Bonds to be refunded were scheduled to remain outstanding. Cascade expects that the foregoing conditions will be satisfied and that no certificate demonstrating compliance with the coverage requirements will be required for the issuance of the Bonds.

Nothing in the Bond Resolution prevents Cascade from issuing (a) Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or (b) revenue bonds that are a charge upon the Gross Revenue subordinate to the charge for the payment of the principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, and then only if the remedy of acceleration is expressly denied to the owners of those subordinate bonds under all circumstances.

Events of Default and Remedies; No Acceleration

Neither a Registered Owner nor any Bond Owners' Trustee has the right under the Bond Resolution to accelerate the payment of debt service on the Bonds upon the occurrence of an Event of Default. Cascade is liable for principal and interest payments only as they become due, and the Registered Owners would be required to seek a separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under State law. Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due. The Bond Resolution defines certain "Events of Default" and provides for certain remedies following the occurrence of an Event of Default. See Appendix B – "FORM OF BOND RESOLUTION," Section 23.

Amendments to the Bond Resolution and the Joint Agreement

The Bond Resolution may not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of the Bond Resolution. Cascade has reserved the right to make certain amendments to the Bond Resolution without the consent of or notice to the Registered Owners, subject to certain conditions. The conditions include delivery to Cascade and the Registrar of an opinion of Bond Counsel stating that the supplemental resolution is authorized or permitted by the Bond Resolution and, upon the execution and delivery thereof, will be valid and binding upon Cascade in accordance with its terms and will not materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding. See Appendix B – "FORM OF BOND RESOLUTION," Section 21.

Cascade has covenanted in the Bond Resolution that it will not permit the Joint Agreement to be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as consistent with and subject to the provisions of the Bond Resolution. Cascade may amend the Joint Agreement without the consent of or notice to the Registered Owners for certain purposes, subject to certain conditions. The conditions include delivery to Cascade and the Registrar of an opinion of Bond Counsel, stating that the amendment is authorized or permitted by the Bond Resolution. Cascade has further agreed that it will not amend provisions of the Joint Agreement that eliminate or materially diminish certain obligations of the Members, without the prior written consent of each Registered Owner of each Parity Bond at the time outstanding, See Appendix B – "FORM OF BOND RESOLUTION," Section 22.

MEMBER COVENANTS UNDER THE JOINT AGREEMENT

The following describes certain Member covenants and certain other provisions under the Joint Agreement.

Covenants Relating to Member Charges

Each Member has irrevocably covenanted in the Joint Agreement to establish, maintain, and collect rates, fees, or other charges for water and other services, facilities, and commodities related to the water supply it receives from Cascade and/or its water utility at levels adequate to provide revenues sufficient to enable the Member to: (i) make the payments required to be made under the Joint Agreement; and (ii) pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon that revenue.

Pursuant to the Joint Agreement, if, in connection with the issuance of obligations, any Member establishes a new lien position on revenues relating to its water utility, that Member is required to covenant in the relevant documents that the Member Charges will be treated: (i) as part of that Member's internal operation and maintenance costs payable prior to debt service on those obligations; and/or (ii) for any portion of those Member Charges that is allocable to capital costs, as a contract resource obligation payable prior to debt service on those obligations. If any Member has existing revenue obligations relating to its water utility with covenants inconsistent with those described in this paragraph, the Member is obligated to include similar covenants in the documents relating to any new parity obligations, to take effect upon payment of those existing obligations.

Binding Nature of Member Obligation

Each Member is obligated under the Joint Agreement to pay the Member Charges imposed on it whether or not the projects to be financed through the issuance of bonds are completed, operable or operating, and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of any Water Supply Assets for any reason whatsoever, in whole or in part. The Joint Agreement provides that Member Charges are not subject to any reduction, whether by offset or otherwise (except for permitted credits against future Member Charges as provided in the Joint Agreement), and are not to be conditioned upon the performance or nonperformance of any Member, or of any entity under the Joint Agreement or any other agreement or instrument.

Member Step Up Provisions

The Joint Agreement provides that if any Member fails to pay any Member Charges in full for more than 50 days past the due date, Cascade is required to make written demand upon that Member to make payment in full within 10 days of the date that the written demand is sent by Cascade. If the failure to pay is not cured within the 10-day period, the Member shall be deemed to be in default. In this event, the other Members are required to pay Cascade (in addition to Member Charges otherwise due) the defaulting Member's Member Charges in proportion to each remaining Members' Demand Share, in accordance with a schedule established by resolution of the Board. See "THE MEMBERS – Demand Shares." The payment of a proportionate share of the existing defaulted Member's Member Charges by Members does not relieve the defaulting Member of its liability for those payments.

Member Disputes

Under the Joint Agreement, if any Member disputes all or any portion of an invoice from Cascade, it is required to notify Cascade immediately upon receipt. If Cascade does not concur, the Member is required to remit payment of the invoice in full, accompanied by written notice to Cascade indicating the portions of the invoice that the Member disputes and the reasons for the dispute. The Member and Cascade are required to make a good faith effort to resolve any such dispute.

Member Withdrawal

A Member may notify Cascade of its intent to withdraw by delivery to Cascade of a resolution of its legislative authority. Upon receipt of the resolution, Cascade's Board is required to determine the withdrawing Member's allocable share of the cost of the then-existing obligations of Cascade (including Cascade's debt service obligations, contract obligations and cash financed capital projects, but not including obligations for future expenses for which Cascade has not incurred a legal obligation) and the Member's obligations to Cascade. The Member's withdrawal is to be effective upon payment, or provision for payment, of the costs, and the withdrawing Member will no longer have any rights to service or supply from Cascade. Under the Joint Agreement, a withdrawing Member is responsible for its allocable share of then-existing obligations of Cascade, including the Bonds outstanding at that time, and any of the Member obligations under the step up provisions.

Disincorporation of Cascade

Cascade may be disincorporated by a 65 percent Dual Majority Vote of the Members. Upon Cascade's disincorporation, all Members are responsible for their allocable share of then-existing obligations of Cascade, including the Parity Bonds outstanding at that time, and any of the Member's obligations under the step up provisions. A 65 percent Dual Majority Vote means Board approval of a proposal on the basis of a 65 percent supermajority of all Members (not just those present and voting), allowing one vote per Member, together with a

65 percent supermajority of all Members (not just those present and voting) on the basis of each Member's Demand Share (with no Member having a vote of less than one). The Joint Agreement provides that upon disincorporation, except as provided in an agreement between Cascade and a Member by which the Member transfers title to Water Supply Assets to Cascade, with or without monetary consideration, to be operated and maintained as part of the System, Cascade's assets initially shall be held by its then current Members as tenants in common. Each Member's ownership interest will be based on that Member's Demand Share as of the time of the disincorporation. Cascade's liabilities (including bonds and other contractual obligations) initially are to be distributed based on Members' Demand Shares as of the time of the disincorporation. Assets and liabilities must be distributed in accordance with agreement or contract, under a voluntary mediation process, or by a court of law. Distribution is to be based on the best interests of efficient and economic water supply in the entire area served by the Members, subject to a rebuttable presumption that Water Supply Assets will be returned to the Member that originally transferred them to Cascade. That presumption may be overcome by a showing that another asset distribution is in the best interests of efficient and economic water supply. The proceeds of any sale of assets must be distributed among the then current Members based on the Demand Shares at the time of disincorporation.

Preservation of Tax Exemption for Interest on Tax-Exempt Bonds

Each Member has covenanted that it will take all actions necessary to prevent interest on tax-exempt bonds issued by or on behalf of Cascade from being included in gross income for federal income tax purposes and that it will neither take any action nor make or permit any use of proceeds of tax-exempt bonds issued by or on behalf of Cascade or other funds treated as proceeds of those bonds at any time during the term of those bonds that will cause interest on those bonds to be included in gross income for federal income tax purposes.

Member Charges

The Members have agreed in the Joint Agreement to pay Member Charges, which include but are not limited to all rates and charges, RCFCs, dues, assessments and other payments from Members. Certain components of Member Charges are described below.

Rates and Charges. The Board sets rates and charges for delivery of water (called "Demand Share Charges") according to a Rate Calculation Methodology adopted by the Board in accordance with the Joint Agreement. The Rate Calculation Methodology provides for the definition and calculation of Demand Shares and for a uniform price structure with a commodity charge and fixed charges allocated by Demand Share. Cascade's Demand Share Charge for 2020 and 2021 are \$375,670 and \$385,347, respectively, per Demand Share percentage.

Regional Capital Facilities Charge. Each Member is required to pay RCFCs to Cascade for each new equivalent residential unit connected to that Member's water distribution system. RCFCs are intended to allocate growth costs to those Members that require capacity increases due to growth in customer demand. Any new Member with adequate water supply is required to begin paying RCFCs fifteen years prior to the date that its own supply is expected to be insufficient. Members that lose their independent supply are required to pay an amount equal to the RCFCs allocable to the number of equivalent residential units that can be served by the replacement supply to be provided by Cascade. The RCFC for 2020 and 2021 are \$6,607 and \$6,807, respectively, per new Cascade equivalent residential unit ("CERU").

Administrative Dues. Each Member is required to pay annual dues to defray part of Cascade's administrative costs, based upon the number of equivalent residential units served by that Member's water system, regardless of water usage or capacity, and whether or not those units are served by water from Cascade. Total dues collected from the Members in any year may not exceed 9 percent of Cascade's annual revenue requirement. Dues for 2020 and 2021 are assessed at the rate of \$19.34 and 19.48, respectively, per CERU.

Conservation Program Charge. A conservation program charge is assessed to each Member for 2020 and 2021 at a rate of \$4.80 and \$4.25, respectively, per CERU. A Member that does not have a supply commitment from Cascade or a Member with a supply commitment but not subject to payment of RCFCs pays 70 percent of the conservation program charge.

Temporary Water Sales. Cascade has authorized temporary discounted water sales in return for reduced Member production from other sources through the creation of a second rate class. The discounted water is for a limited

period while supply surplus exists, is contingent on commensurate reduction of independent supply production, and provides a discount of 40 to 50 percent from the Demand Share Charge. Agreements are structured to prevent use of this supply to reduce full-price purchases. This measure allows productive use of surplus supplies, an incremental revenue stream to Cascade, and Member flexibility to better manage and maintain independent supply sources. Four Members have independent sources and could potentially use this supply option. As of the date of this Official Statement, Issaquah has executed an agreement for a supply of 0.50 million gallons per day (“MGD”) for up to 14 years, representing less than 10 percent of the surplus capacity currently available.

Sale of Water to Non-Members

Cascade may sell water to a non-Member under terms and conditions established by a 65 percent Dual Majority Vote of the Board. The terms and conditions may not be more favorable than the terms and conditions under which water is sold to Members. Revenue received from the sale of water to non-Members is to be used to offset or reduce rates and charges to Members to the extent practicable, except that such revenue need not be treated as reducing or offsetting those amounts that are necessary for the payment of debt service on Parity Bonds and for the provision of reserve and coverage requirements for the Parity Bonds. Unless approved by the Board, no Member may sell water supplied by Cascade (or the Member’s water that is offset by water supplied by Cascade) to a non-Member, except to the extent required by a contract in effect as of the date the Member joins Cascade.

Bond Owner Reliance

Each Member has acknowledged in the Joint Agreement that the covenants described under “MEMBER COVENANTS UNDER THE JOINT AGREEMENT” may be relied upon by Parity Bond owners. Each Member has approved the Joint Agreement by resolution, motion or ordinance of its legislative authority.

CASCADE DEBT

Scheduled Debt Service on Parity Bonds

The scheduled annual debt service requirements for the Parity Bonds, shown on the basis of a fiscal year ending December 31, are set forth in the following table, rounded to the nearest dollar. (Totals may not foot due to rounding.)

Scheduled Debt Service Requirements

	Outstanding Parity Bonds		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2021	\$ 5,560,000	\$ 2,957,881	\$ 895,000	\$ 369,837	\$ 9,782,718
2022	5,835,000	2,675,631	745,000	518,960	9,774,591
2023	6,125,000	2,379,381	190,000	504,060	9,198,441
2024	6,430,000	2,083,906	1,780,000	500,260	10,794,166
2025	5,130,000	1,813,431	1,815,000	464,660	9,223,091
2026	5,390,000	1,553,681	1,850,000	428,360	9,222,041
2027	5,645,000	1,294,781	1,890,000	391,360	9,221,141
2028	5,900,000	1,037,181	1,925,000	353,560	9,215,741
2029	6,145,000	782,906	1,965,000	315,060	9,207,966
2030	3,395,000	577,331	2,005,000	275,760	6,253,091
2031	3,530,000	441,531	2,045,000	235,660	6,252,191
2032	3,595,000	370,931	2,070,000	209,075	6,245,006
2033	3,665,000	294,538	2,100,000	180,095	6,239,633
2034	3,740,000	212,075	2,130,000	148,595	6,230,670
2035	2,500,000	123,250	2,160,000	115,580	4,898,830
2036	2,555,000	63,875	2,200,000	79,940	4,898,815
2037	–	–	2,240,000	41,440	2,281,440
Total	\$ 75,140,000	\$ 18,662,313	\$ 30,005,000	\$ 5,132,262	\$128,939,575

Outstanding Debt

Cascade's outstanding Parity Bonds as of September 1, 2020, excluding the Refunded Bonds and including the Bonds, are set forth below.

Name of Issue	Outstanding Principal	Final Scheduled Maturity Date
Water System Revenue Bonds, 2012	\$ 5,740,000	1/1/2024
Water System Refunding Revenue Bonds, 2014	22,115,000	1/1/2029
Water System Improvement and Refunding Revenue Bonds, 2019	47,285,000	9/1/2036
The Bonds	30,005,000	9/1/2037
Total Outstanding Parity Bonds	\$105,145,000	

Cascade has one outstanding Public Works Trust Fund Loan from the State, which represents an obligation that is subordinate to the Parity Bonds and is not subject to acceleration. The loan was in the original amount of \$750,000 with an interest rate of 0.5 percent and had a balance as of December 31, 2019, of \$197,369, with a final maturity date of July 1, 2025.

Additional Borrowing

Cascade does not anticipate issuing additional Parity Bonds during the next three years. Cascade periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

CASCADE WATER ALLIANCE

General

Cascade is a joint municipal utility services authority organized under the laws of the State, as authorized by chapter 39.106 RCW and a Joint Municipal Utilities Services Agreement entered into by the Members dated March 28, 2012 (the "Joint Agreement"). Cascade was formed to provide wholesale water supply to meet the water supply needs of the Members. Cascade's current service area is non-contiguous and is an aggregate of the water service areas of its seven current Members, all of which are located in King County. The current Members are the cities of Bellevue, Issaquah, Kirkland, Redmond and Tukwila, Sammamish Plateau Water and Sewer District and Skyway Water and Sewer District. See "THE MEMBERS." Cascade serves solely as a regional water supplier to the Members, which are owners of independent water systems.

Cascade was initially formed in 1999 as a nonprofit corporation under the terms of an interlocal agreement on April 1, 1999, as amended and restated on December 15, 2004 (the "Interlocal Agreement"). The Interlocal Agreement contained provisions to allow Cascade to convert to a joint operating agency or other municipal corporation if permitted under State law. The State Legislature in 2011 enacted legislation, codified as chapter 39.106 RCW, which provided Cascade authority to convert to a joint municipal utility services authority, if certain conditions could be met, and conditioned upon all rights and obligations of the former nonprofit corporation transferring to the new entity. Based on compliance with the requirements of chapter 39.106 RCW, the Members agreed to such conversion by Resolution No. 2012-06.

Among other things, the Joint Agreement establishes the membership, purpose and powers of Cascade; sets forth the organizational structure, powers, committees and voting rights for its Board; outlines agreements for budgeting dues and financial management of Cascade; provides for asset development, supply commitment and financing; establishes a method of determining and assessing Member Charges; and addresses issues relating to disincorporation, withdrawal by Members and amendments. Each Member has approved the Joint Agreement by resolution, motion or ordinance of its legislative authority.

Cascade Purposes

Cascade serves as a regional wholesale water supplier to the Members, which own independent water systems. Members of Cascade either have no independent water supply or have limited independent water supply to serve the

needs of their customers, and therefore have relied on a variety of water supply sources to provide water to customers. Each Member delivers water to its customers through its own distribution system. Prior to formation of Cascade, Members relied primarily on their own independent water supplies (if any), wholesale water purchased from non-Member water utilities including the city of Seattle (“Seattle”) and the city of Renton, and a limited amount of reclaimed water. The Members formed Cascade to enhance their ability to supply water to their respective service areas and the region by developing, owning and operating regional water supply and transmission assets. Cascade does not provide water directly to the public and does not plan to own or operate retail distribution facilities.

The Joint Agreement limits Cascade’s purposes to those related to water resources, specifically to: (i) provide a safe, reliable and high quality drinking water supply to meet the current and projected demands of the Members, and for non-Members as determined by Cascade, and to carry out this task in a coordinated, cost-effective, and environmentally sensitive manner; (ii) develop, contract for, manage, acquire, own, maintain and operate Water Supply Assets, including without limitation, surface water supplies, groundwater supplies, reclaimed water supplies, and other water supply resources as determined by the Board; (iii) purchase and provide water supply, transmission services, treatment facilities and other related services; (iv) provide conservation programs to promote the wise and efficient use of resources; (v) carry out emergency water supply and shortage management programs for the Members when demands exceed available supply; (vi) coordinate and plan cooperatively with other regional or local water utilities and other entities to maximize supply availability and to minimize system costs; (vii) develop a Water Supply Plan addressing the needs of Cascade and the Members and Cascade itself and develop a regional water supply plan with other water providers as Cascade may find convenient or necessary to meet regional, state and federal planning requirements, and to take a leadership role in developing and coordinating those supply plans; (viii) share costs and risks among Members commensurate with benefits received; and (ix) carry out or further other water supply purposes that the Members determine, consistent with the provisions of the Joint Agreement.

Cascade Powers

Cascade has the authority to exercise all powers authorized or permitted under chapter 39.106 RCW, and to engage in activities necessary to meet its purposes. These powers include, but are not limited to: (i) acquire, construct, receive, own, manage, lease and sell real property, personal property, intangible property and other Water Supply Assets; (ii) operate and maintain facilities; (iii) enter into contracts; (iv) administer personnel matters in a manner generally consistent with the laws applicable to a code city (population over 20,000), to the extent applicable and with discretion left to Cascade, to the fullest extent otherwise permitted by law, related to the appointment, removal and/or compensation of officers, the establishment and/or administration of employee health and welfare benefit programs, and/or the establishment and/or administration of civil service/merit systems, retirement benefits/systems, and/or pension benefits/systems; (v) sue and be sued; (vi) exercise all powers of eminent domain granted under chapter 8.12 RCW and other applicable statutes (e.g. chapter 8.25 RCW), now or as hereafter amended; (vii) impose, alter, regulate, control and collect rates, charges, and assessments; (viii) purchase and sell water and services within and outside the geographical boundaries of its Members; (ix) borrow money (through its Members or other entities at their individual discretion or as authorized by chapter 39.106 RCW and the Joint Agreement now or as hereafter amended), or enter into other financing arrangements; (x) lend money or provide services or facilities to any Member, other governmental water utilities, or governmental service providers; (xi) invest its funds; (xii) establish policies, guidelines, rules or regulations by either Bylaws or resolution to carry out its powers and responsibilities; (xiii) purchase insurance, including participation in pooled insurance and self-insurance programs, and indemnify its Members, its Board of Directors and Alternate Board Members, officers and employees in accordance with law; (xiv) exercise all other powers within the authority of, and that may be exercised individually by all of its Members with respect to water supply, conservation, reuse, treatment and transmission, or any of the other purposes set forth in the Joint Agreement; (xv) exercise, without limitation, all other corporate powers that Cascade may exercise under the law relating to its formation and that are not inconsistent with the Joint Agreement or chapter 39.106 RCW or other applicable law; (xvi) for the purposes of contracting and public works, exercise all powers of a code city under RCW 35A.40.200 – 35A.40.210, now or as hereafter amended; (xvii) for disposal of surplus property, exercise all powers granted under RCW 35A.11.010, now or as hereafter amended, to code cities; (xviii) in the event Cascade charges connection charges or Rates and Charges for services supplied or available to its customers’ property on a retail basis, exercise all powers granted under RCW 57.08.081, now or as hereafter amended, for the establishment of liens; and (xix) for purposes of a Cascade code of ethics, exercise all powers of a municipal corporation and observe the requirements under chapter 42.23 RCW, now or as hereafter amended.

In July 2019, the Board adopted a resolution authorizing Cascade to engage the following activities relating to wastewater, sewage and septage services: discussions and negotiations of agreements with King County (the provider of wholesale wastewater treatment in King County, including to the Members) and entering into agreements with and among other cities, water and wastewater utilities related to discussions and negotiations of agreements with King County. This authorization expires the earlier of Board approval of an alternative process to achieve such activities or December 31, 2020.

Water Supply and Transmission

Cascade is responsible for managing, on behalf of the Members, a regional water transmission and supply system including assets usable in connection with the provision of water supply owned or controlled by Cascade, and all additions thereto and betterments and extensions thereof at any time made, together with any utility systems of Cascade that may be combined with the regional water transmission and supply system (the “System”), pursuant to the Joint Agreement. Cascade is required to plan and to provide water to the Members for use within their existing and future water service area boundaries and has made water supply commitments to the Members under the Joint Agreement. See “CASCADE WATER ALLIANCE – Transmission and Supply Plan.”

To meet the water supply requirements in excess of the Members’ own resources, Cascade purchases water from Seattle under a 50-year Declining Block Water Supply Agreement (the “Seattle Agreement”) and Cascade has entered into a wholesale water purchase agreement with the city of Tacoma (“Tacoma”) to supplement water purchased from Seattle (the “Tacoma Agreement”). Cascade will need to develop transmission assets in order to transport water from Tacoma to the Members through what is known as the Tacoma-Cascade Pipeline. Water purchased under the Seattle Agreement and Tacoma Agreement is expected to serve as Cascade’s primary water supply source through 2040. Cascade anticipates developing Lake Tapps, located in Pierce County (adjacent to King County), for long-term water supply. Based on Cascade’s demand forecast, the Lake Tapps supply will offer capacity sufficient to meet the needs of the current Members beyond the needs expected to be met through the Seattle Agreement and the Tacoma Agreement. Cascade owns a 24-inch diameter transmission pipeline between Bellevue and Issaquah. To maximize water resources, Cascade provides a regional conservation program to the Members.

Lake Tapps. Cascade purchased certain assets from Puget Sound Energy referred to as the Lake Tapps assets for a cost of \$30,000,000. The project includes a diversion dam and an intake on the White River, a flowline (timber lined, open channel and pipeline), sediment basins, fish screens, Lake Tapps and associated dikes; the lake intake, tunnel, forebay, and penstocks off Lake Tapps; the power house and structures that return water from Lake Tapps to the White River; and water rights, including the existing hydro claim and new municipal water rights applications. Cascade subsequently worked with the State Department of Ecology to secure municipal water rights, which were issued in December 2010. Cascade also entered into agreements with the Muckleshoot Indian Tribe, the Puyallup Tribe of Indians, the Lake Tapps community and the cities of Auburn, Bonney Lake, Buckley and Sumner which address issues related to operations of Lake Tapps and provision of regional water supply.

To utilize Lake Tapps as a water source, Cascade is required to develop and construct infrastructure, including building a water treatment facility and transmission pipeline. The Transmission and Supply Plan includes a timeline for construction of the improvements to the facilities of Lake Tapps, which is expected to be needed no earlier than 2040. Lake Tapps is permitted to provide Cascade a permanent supply of 48.5 MGD of water (average daily demand) each year, with the ability to produce up to 80.0 MGD on a peak day basis.

Seattle Agreement. Cascade’s primary water supply is water purchased from Seattle under the Seattle Agreement that became effective January 1, 2004 and extends through December 31, 2063. Based on changes in water demand forecasts, Seattle determined that additional water supply would be available for Cascade. The Seattle Agreement was amended in December 2008 and again in July 2013. In the most recent agreement Cascade and Seattle executed an amendment to the Seattle Agreement that extended the 33.3 MGD capacity through 2039. The Seattle Agreement entitles Cascade to a specified amount (block) of water supply and transmission each year for a 50-year period ending December 31, 2063, on a “take or pay” basis. The amount of the block can be amended based on a reduction in water yield available to Seattle due to an order of an appropriate federal or state regulatory agency. The Seattle Agreement does not include provisions for termination. Increased amounts of water are available during the peak season and peak month. At the end of the Seattle Agreement term, Cascade may continue to purchase from Seattle

up to 5.3 MGD of water (average daily demand) for Members that cannot be served economically by any other means.

The amount of water generally to be available to Cascade in each year of the Seattle Agreement, shown as average daily demand in MGD, is set forth in the following table.

Amount of Water to be Supplied to Cascade from Seattle ⁽¹⁾

Year Beginning	Average Daily Demand (MGD)
2012	33.3
2040	33.3
2041	29.3
2042	27.3

⁽¹⁾ After 2042, MGD daily demand will decline by 1.0 MGD per year through 2064. After 2065, Cascade can opt for 5.3 MGD per year.

Source: Cascade

Tacoma Agreement. The Tacoma Agreement entitles Cascade to a permanent supply of 4 MGD of water (average daily demand) each year, and an additional guaranteed reserved supply of 6 MGD (average daily demand) through 2026, declining to 1 MGD (average daily demand) in 2030 (the “Additional Supply”), and discontinuing thereafter. Increased deliveries are available during peak season. The Tacoma Agreement, as amended in December 2012, clarified Cascade’s rights and responsibilities for the existing capacity and enabled and regulated transfer to specific third parties through a joint offering. Additionally, minimum volumes were replaced by a structured capacity reservation schedule. A new capacity commitment of 8 MGD was provided to Cascade through 2042. The Tacoma Agreement requires that Cascade pay for the metered water based on wholesale water rates. Cascade has not taken delivery of water from Tacoma and would need to complete construction of the Tacoma-Cascade Pipeline in order to do so. The acquisition of Lake Tapps and issuance of the municipal water rights fulfilled Cascade’s obligation under the Tacoma Agreement to provide Tacoma with a plan by December 1, 2015 demonstrating Cascade’s ability to provide for the long term water needs of the Members. Should Cascade be in default in payments under the Tacoma Agreement, Tacoma may terminate the entire Tacoma Agreement by providing at least six months’ written notice of termination. Cascade has made all payments to Tacoma as required under the Tacoma Agreement.

Transmission and Storage Facilities. Cascade owns a 24-inch diameter transmission pipeline between Bellevue and Issaquah and has agreements in place with the city of Bellevue and the Sammamish Plateau Water and Sewer District to provide operation and maintenance of the pipeline.

To transport water from Tacoma and Lake Tapps, Cascade will be required to construct additional pipelines. Cascade conducted a transmission system routing study to determine the sizing and routing of the proposed transmission pipelines for water purchased from Tacoma. Cascade expects to include additional regional storage in its transmission system. Cascade anticipates commencing design and construction in the early 2030s with the expectation that the projected supply will be needed around 2040. Contract extensions or new agreements could materially defer this construction schedule.

Transmission and Supply Plan

The Transmission and Supply Plan fulfills the 20-year planning requirement contained in the Joint Agreement, and the 6-year and 20-year planning horizons required by the State Department of Health. Additional information is included in the Transmission and Supply Plan to provide a planning context for the capital facilities Cascade intends to undertake. The Transmission and Supply Plan addresses water supply and transmission needs, rather than local distribution needs, which are the responsibility of the Members.

The Transmission and Supply Plan contains data and technical analysis addressing existing water supply and transmission contracts, assets and infrastructure; demand forecasts; conservation program; reclaimed water program; water supply strategy; system analysis, infrastructure needs and capital program; source water protection; water quality maintenance and monitoring; operation and maintenance programs; and financial program. The Transmission and Supply Plan provides a timeline for transmission and supply projects due to changed demand

projections and additional supply resources, including a flexible strategy of supply contracts and ultimate development at the Lake Tapps supply.

In 2018, the Board adopted a four-year extension to the Transmission and Supply Plan, originally completed and adopted by the Board in 2012, which extends the plan through 2022. The plan defines a resource strategy designed to meet the projected supply needs of the Members through 2060, including purchase of water from Seattle and Tacoma, acquisition and development of transmission facilities, and development of new water supply sources and treatment facilities. Because updated water demand projections for the Members have indicated decreased water requirements compared to previous projections, larger scale supply projects are anticipated to be delayed until at least 2030. If Cascade is able to obtain additional water under new or amended water purchase contracts, particularly with Seattle, construction could be further delayed.

Impact of COVID-19 Pandemic

The COVID-19 pandemic is currently affecting many parts of the world, including the State, the County, and Cascade and its Members. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 a national emergency. On February 29, 2020, the Governor of the State declared a state of emergency due to the number of confirmed cases of COVID-19 in the State, directing State agencies to use all resources necessary to prepare for and respond to the outbreak.

The Governor has issued a series of proclamations designed to limit social interactions, including orders requiring or encouraging individuals, businesses, and governments to take certain precautionary measures designed to prevent the spread of COVID-19. On March 23, 2020, the Governor issued a statewide “Stay Home, Stay Healthy” proclamation, requiring individuals to stay home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. The State currently is following a phased county-by-county reopening approach. On June 19, 2020, the State Department of Health approved the County to move to the second phase of reopening.

The Governor instituted an indefinite pause on counties progressing in reopening phases due to the continued rise of cases and spread of COVID-19 statewide and, on November 15, 2020, the Governor announced additional restrictions for a four-week period statewide limiting indoor social gatherings, closing indoor dine-in service at restaurants and bars, and imposing other restrictions. On December 8, 2020, the Governor extended these additional restrictions for another three weeks, to January 2, 2021.

On March 18, 2020, the Governor waived or suspended statutes that prevent, hinder, or delay necessary action in coping with the economic impacts to utility customers throughout the State resulting from the COVID-19 pandemic. Such waivers and suspensions were set to expire on August 1, 2020. On July 31, 2020, the Governor prohibited all energy, telecommunications, and water providers in the State from conducting the following activities: (1) disconnecting any residential customers from energy, telecommunications, or water service due to nonpayment on an active account, except at the request of the customer, (2) refusing to reconnect any residential customer who has been disconnected due to nonpayment, (3) charging late fees for late payment or reconnection of energy, telecommunications, or water service, and (4) disconnecting service to any residential customer who has contacted the utility to request assistance. These prohibitions on disconnecting, refusing to reconnect, and charging late fees are extended until termination of the COVID-19 pandemic State of Emergency or until December 31, 2020, whichever occurs first, and do not affect amounts owed for utility service.

The COVID-19 pandemic has had limited adverse impact on the finances and operations of Cascade as a wholesale supplier of water to its Members. RCFC revenues (which made up 14.3 percent of all operating revenues in 2019) were below budget in 2019 and are down again in 2020 due to the pandemic-induced economic shutdown. Both the 2021-2022 biennial budget and longer term financial forecast now reflect reduced growth and RCFC revenues. See “Management Discussion of Financial Operations” below.

Under the Joint Agreement, the Members have agreed to pay to Cascade the Member Charges described in “MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Charges.” Member Charges comprise Cascade’s

principal source of Gross Revenue, as defined and described in “SECURITY FOR THE BONDS – Pledge Under the Bond Resolution.”

Each Member is obligated under the Joint Agreement to pay the Member Charges imposed on it whether or not the projects to be financed through the issuance of bonds are completed, operable or operating, and notwithstanding the suspension, interruption, interference, reduction or curtailment in the operation of any Water Supply Assets for any reason whatsoever, in whole or in part. The Joint Agreement provides that Member Charges are not subject to any reduction, whether by offset or otherwise (except for permitted credits against future Member Charges as provided in the Joint Agreement), and are not to be conditioned upon the performance or nonperformance of any Member, or of any entity under the Joint Agreement or any other agreement or instrument.

Cascade has not incurred material direct expenses related to the COVID-19 pandemic and has not applied for or received reimbursement for any such expenditures.

The COVID-19 pandemic is ongoing, and the duration and severity of the pandemic are uncertain. The State makes COVID-19 response information available at coronavirus.wa.gov (which is not incorporated herein by reference).

Governance and Administration

Cascade is governed by a Board consisting of one individual representative of each respective Member’s legislative authority. Members may appoint alternative representatives to the Board, although each Board member and alternative Board member must be an elected official of the Member. Board member terms do not expire; Board members continue in their positions until replaced by resolution or motion of the Member being represented or until they are no longer an elected official of the Member being represented. The Board adopted corporate Bylaws, amended and restated in 2012, which specify the powers and duties of the Board and its Executive Committee, standing committees, officers and employees. The Board holds monthly meetings to conduct the business of Cascade. All meetings of the Board are required to be conducted as open public meetings under the State Open Public Meetings Act and other applicable law.

All Board actions must be approved by Dual Majority Vote of all Members, except where the Joint Agreement requires either a 65 percent Dual Majority Vote or ratification by the legislative authorities of the Members. A “Dual Majority Vote” means approval of a proposal must be made on the basis of both a simple majority of all Members, allowing one vote per Member, and a simple majority of all Members on a weighted basis, as described in the Joint Agreement. Any Member that has been declared by the Board to be in default of its obligations under the Joint Agreement will lose its right to vote until the Board has declared the default to be cured.

Board Members. Current Board members and the Member represented by each are set forth below.

Board Member	Member Represented and Elected Position	Date of Initial Appointment
John Stokes, Chair	Councilmember, City of Bellevue	January 2012
Penny Sweet, Vice Chair	Mayor, City of Kirkland	February 2010
Angela Birney, Secretary/Treasurer	Mayor, City of Redmond	February 2016
Mary Lou Pauly	Mayor, City of Issaquah	February 2018
Allan Ekberg	Mayor, City of Tukwila	February 2016
Lloyd Warren	Vice President, Sammamish Plateau Water and Sewer District	January 2005
Jon Ault	President, Skyway Water and Sewer District	February 2004

Executive Committee. The Joint Agreement and Cascade’s corporate Bylaws provide for an Executive Committee consisting of the officers of the Board. The Board has delegated to the Executive Committee certain decisions that do not require Board approval. The Chair of the Board serves as chair of the Executive Committee. The Executive Committee is responsible for ongoing oversight of the administrative, financial and other affairs of Cascade and may take any actions on behalf of Cascade other than actions expressly reserved to the Board or to the legislative authorities of the Members.

Management. Day-to-day management is provided by a Chief Executive Officer who serves at the pleasure of the Board. The Chief Executive Officer is responsible for appointment of other staff positions, subject to confirmation by the Board or Executive Committee, and has authority to enter into obligations under \$25,000 unless otherwise provided with specific delegated authority. A Manager of Finance and Administration is responsible for the day-to-day financial operations. Names and brief resumes are provided below.

Ray Hoffman, Chief Executive Officer. Mr. Hoffman joined Cascade Water Alliance in 2017 as Strategic Policy Advisor and was named Chief Executive Officer in January 2020. He previously led the Seattle Public Utilities as director from 2010 until 2016, where he was responsible for its annual budget, rates and utility funds. At Seattle Public Utilities he also served as the director of corporate policy and performance, and as an advisor to the mayor on utilities and environmental issues. He has more than 25 years of increasingly responsible roles in public policy and management, negotiating multi-party agreements on complex policy issues. Mr. Hoffman has a Doctorate from the University of Washington School of Business as well as a Bachelor's degree and Master's degree in Accounting from the University of Illinois.

Melina Thung, Chief of Staff. Ms. Thung has served in this position since May 2019. Ms. Thung most recently served as the Business Systems Management Director at Seattle Public Utilities, responsible for information technology, asset management and other corporate services. Prior to that, she served Seattle Public Utilities in the roles of Interim Director, Deputy Director for the Office of Utility Services, Deputy Director for Finance and Administration, Finance Director, and Budget Manager. Ms. Thung holds a Bachelor's degree in International Relations from Georgetown University, a Master's degree in Public Administration from the University of Washington, and a Master's degree in Finance from Seattle University.

Chris Paulucci, Finance and Administration Manager. Mr. Paulucci has served in this position since August 2016. Prior to assuming this position, he was Business Manager for Cascade. Mr. Paulucci earned a Bachelor of Science degree in Business Administration, Managerial Finance from the University of Nevada-Las Vegas and a Master's in Business Administration, Finance from the University of Nevada-Las Vegas. Mr. Paulucci is a Licensed Certified Public Accountant.

Henry Chen, Engineering & Capital Projects Director. Mr. Chen has served in this position since 2018. Previous to assuming this position, Mr. Chen worked as Deputy Director and Project Delivery and Engineering Branch Director for Seattle Public Utilities overseeing all project delivery and engineering programs for the utility with a 6-year capital budget of over \$1.1 billion. Prior to that, he served as a Director, Engineering and Technical Services and Director, Project Support with Seattle Public Utilities. Mr. Chen graduated from the University of Washington with a Bachelor of Science, Civil Engineering degree and obtained his professional engineering license in 1997. Mr. Chen is also a certified Project Management Professional by the Project Management Institute.

Ed Cebron, Chief Economist & Treasurer. Mr. Cebron has served in this position since January 2011. Previously, Mr. Cebron provided financial and economic consulting services to Cascade as a principal and co-founder of FCS Group, Inc. This role included acting as Project Manager for Cascade's original formation and developing the initial financial and charge structure of the organization, as well as providing ongoing support since Cascade's formation in a variety of financial, economic and management areas. He has worked for over 35 years for municipal utilities throughout the western United States as a consultant, elected official and now management team member in areas of finance, economics, governance and management. Mr. Cebron holds a Master's degree in Infrastructure Planning and Management from Stanford University and a Bachelor of Science in Engineering Science from Harvard University.

Employees

Cascade currently has 9.85 full-time equivalent employees, none of whom are represented by unions or bargaining units.

Treasury Operations and Investments

Cascade has appointed the Treasury Operations Section of the King County Department of Executive Services, Finance and Business Operations Division to provide treasury operations. Cascade's funds are invested as is lawful for funds invested by a county treasurer under State law. Cascade's funds are commingled with funds of other

agencies of King County, through the King County Investment Pool (the “Pool”), including the “Pool Plus” option described below.

King County Investment Pool

The following information relating to the King County Investment Pool and Investment Policy has been provided by King County and is believed to be reliable, but has not been verified independently by Cascade. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by Cascade.

The Pool invests cash reserves for all King County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer and water districts, and other public authorities. It is one of the largest investment pools in the State. On average, King County agencies comprise 40 percent of the Pool and outside districts 60 percent.

The Executive Finance Committee establishes King County investment policies and oversees the investment portfolio to ensure that specific investments comply with both those investment policies and State law. The Pool is only allowed to invest in certain types of highly-rated securities, including certificates of deposit, U.S. treasury obligations, federal agency obligations, municipal obligations, repurchase agreements and commercial paper.

The Treasury Operations Section of the King County Finance and Business Operations Division (the “Finance Division”) administers King County’s investments. Under Section 4.10 of the King County Code, the Executive Finance Committee (the “Committee”) oversees King County’s investment practices. The Committee consists of the Chair of the King County Council or his or her designee, the King County Executive or his or her designee, the Chief Budget Officer, and the King County Director of the Finance Division.

King County’s own funds are invested in King County’s Residual Investment Pool (the “Investment Pool”). All investments of King County funds are subject to written policies and procedures adopted by the Committee. The Committee reviews the performance of the Investment Pool on a monthly basis.

In addition to investing King County’s own funds, the Treasury Operations Section also invests the funds of approximately 100 special purpose districts within King County for which the Treasury Operations Section serves as treasurer, including school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. To participate in the Investment Pool, a district must sign an inter-local agreement that governs its participation in the Investment Pool, and, to exit the Investment Pool, a district must provide the required prior notice. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool must maintain an effective duration of 1.5 years or less and 40% of its total value must be held in securities that mature in 12 months or less. As of September 30, 2020, the Investment Pool had a balance of \$8.0 billion and a duration of 1.11 years.

Under State law and King County’s current investment policy, subject to certain minimum credit and maximum maturity limitations as described therein, King County may invest in the following instruments:

- (i) Up to 100% of the portfolio in U.S. Treasury or Governmental Agency securities;
- (ii) Up to 25% of the portfolio in certificates of deposit (CDs) with institutions that are public depositories in the State of Washington with a maximum of 5% per issuer across investment types;
- (iii) Up to 25% of the portfolio in bankers’ acceptances with a maximum of 5% per issuer across investment types;
- (iv) Up to 100% of the portfolio in repurchase agreements, with a maximum of 25% exposure to any one repo counterparty provided that the underlying security must be a U.S. Treasury or U.S. Agency and all underlying securities are held by a third party;
- (v) The combined total of commercial paper and corporate notes can be up to 25% of the portfolio with a maximum of 5% per issuer across investment types;
- (vi) Up to 20% in general obligation municipal bonds with a maximum of 5% per issuer;

- (vii) Up to 25% in mortgage-backed securities issued by agencies of the U.S. Government that pass the FFIEC (Federal Financial Institutions Examination Council) suitability test which banks use to determine lowest risk securities;
- (viii) Up to 25% in the State Local Government Investment Pool.

The combined total of repurchase agreements greater than overnight, bankers' acceptances, CDs, commercial paper, and bank corporate notes must not exceed 50% of Investment Pool assets.

King County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

King County's entire investment policy is located on the Investment Pool's website at the following link:

<http://www.kingcounty.gov/kcip>

The investment policy also includes a policy adopted by the Committee to address the circumstances under which King County agencies or districts can invest funds beyond the maximum maturity limits established for the Investment Pool. This policy provides the "Pool-Plus" investment option which allows a participant in the Investment Pool to request King County to combine a portfolio of individual long-term securities in the same fund that is invested in the Investment Pool. Under the Pool-Plus option, the Investment Pool will be used for the liquidity portion of the portfolio, while the following investment types may be used for the longer term investments: U.S. Treasuries or securities with the full faith and credit of the U.S. Government backing them and senior debt obligations issued by U.S. agencies, instrumentalities or government-sponsored enterprises such as the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation.

King County has commissioned an outside financial consultant, Public Financial Management ("PFM"), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of September 30, 2020, PFM concluded that "King County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality." The most recent portfolio review can be obtained at the following website:

<https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx>

Retirement Plans

Cascade provides a Section 401(a) defined contribution retirement plan to all full-time and certain part-time employees. Employees contribute four percent of their annual salary. Cascade contributes seven percent of each employee's salary. In addition, as a replacement for the contribution to Social Security, employees contribute an additional 6.2 percent of their annual salary. Cascade contributes an additional 6.2 percent up to the IRS limit (\$8,240 in 2019). Employee and employer contributions were \$210,522 and \$175,751, respectively, for the year ended December 31, 2019, and \$159,514 and \$193,831, respectively, for the year ended December 31, 2018. As of December 31, 2019 and 2018, accrued expenses under the plan totaled \$8,161 and \$1,822, respectively.

Cascade also provides a Section 457 retirement plan available to certain employees who make salary deferral contributions up to the maximum allowed by law. No employer contributions are made to the Section 457 retirement plan. Employee salary deferrals were \$211,999 and \$166,501 for the years ended December 31, 2019 and 2018, respectively.

Cascade is current on all required employer contributions to retirement plans.

Other Post Employment Benefit Obligations

Cascade has no other post-employment benefit obligations.

Risk Management

Cascade is a member of the Water and Sewer Risk Management Pool (the “Risk Pool”). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Risk Pool was formed in November 1987 when water and sewer districts in the State joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Risk Pool currently has 61 members.

The Risk Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Risk Pool provides the following forms of group purchased insurance coverage for its members: property (including building, electronic data processing, boiler and machinery, and mobile equipment); general liability; automotive liability; excess liability, crime; public officials liability; identity fraud reimbursement program; and bonds of various types. All coverages are on an “occurrence” basis.

Members make an annual contribution to fund the Risk Pool. The following table sets forth the insurance policies the Risk Pool purchases from unrelated underwriters.

Type of Coverage	Member Deductible	Self-Insured Retention/Group	Excess Limits
Property Loss:			
Buildings and Contents	\$1,000 to \$25,000 ⁽¹⁾	\$25,000	\$275,000,000
Flood	(2)	(2)	\$50,000,000
Earthquake	(3)	(3)	\$110,000,000 ⁽⁴⁾
Terrorism	\$1,000 to \$25,000	\$25,000 primary layer	\$700,000,000 primary layer
Boiler & Machinery	\$1,000 to \$350,000 depending on object	\$25,000 to \$350,000 depending on object	\$100,000,000
Auto – Physical Damage	\$1,000 to \$25,000	\$25,000	\$15,000,000
Liability:			
Commercial General Liability	\$1,000 to \$25,000	\$200,000 ⁽⁵⁾	\$15,000,000
Auto Liability	\$1,000 to \$25,000	\$200,000 ⁽⁵⁾	\$15,000,000
Public Officials Errors and Omissions	\$1,000 to \$25,000	\$200,000 ⁽⁵⁾	\$15,000,000
Employment Practices	\$1,000 to \$25,000	\$200,000 ⁽⁵⁾	\$15,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 to \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000

(1) Member deductible for cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.

(2) \$100,000 member deductibles per occurrence in flood zones except Zones A&V; \$250,000 member deductible per occurrence in Flood Zones A&V.

(3) Member deductible for earthquakes is 5 percent subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.

(4) \$75,000,000 is shared by all members, \$25,000,000 is dedicated to Alderwood Water & Wastewater District, and \$10,000,000 is dedicated to Sammamish Plateau Water & Sewer District.

(5) Subject to \$150,000 Corridor Deductible.

Risk Pool members are responsible for a deductible on each coverage and the Risk Pool is responsible for the remainder of the self-insured retention set forth in the table above except where noted. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Risk Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the cyber liability and that part of a boiler and machinery deductible that exceeds \$25,000.

Upon joining, the members contract to remain in the Risk Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Risk Pool on November 1, 2021, written notice must be in possession of the Risk Pool by April 30, 2021). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Risk Pool, a member is still responsible for contributions to the Risk Pool for any unresolved, unreported, and in process claims, for the period that the member was a signatory to the Interlocal Governmental Agreement.

The Risk Pool is fully funded by its member participants. Claims are filed by members with the Risk Pool, which determines coverage and performs claims adjustment in consultation with Arcadia Claims Services and Adjusters Northwest.

The Risk Pool is governed by a board of directors, which consists of one designated representative from each participating member. An executive committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Risk Pool and providing policy direction to the Risk Pool's executive director. Cascade is currently represented on the executive committee by its Chief Economist & Treasurer.

Accounting and Auditing

Cascade prepares annual financial and operating statements as soon as practicable after the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of that fiscal year, and causes the financial and operating statements to be audited on an annual basis by the State Auditor and/or a certified public accountant selected by Cascade. Cascade's most recent audited financial statements, for the year ended December 31, 2019, are included as Appendix F.

Additional Credit Evaluation Considerations

Cascade is active in promoting additional credit evaluation considerations to encourage and reward, through a competitive cost of capital, utilities with strong asset management practices, proactive water demand management, resilient supply sources, and low energy-intensity. To support alignment of the capital markets with emerging best practices, Cascade has included a discussion of the following additional credit evaluation considerations as Appendix G: Institutional Stability and Management, Demand Management, Dependability of Water Supplies, Full-Cost Pricing, Affordability of Water, Asset Management, and Energy Intensity of Water Treatment and Delivery.

Management Discussion of Financial Operations

Cascade's operating revenues are received principally from water sales, administrative dues, and conservation charges. Total operating revenues for 2019 were 4.2 percent higher than 2018, attributable to higher Demand Share Charges. RCFC revenue from Members was budgeted to be \$9.6 million in 2019, but actual RCFC revenue was \$5.8 million. This variance is largely attributable to the Microsoft Refresh Project in Redmond. This is expected to be a temporary condition, as RCFC credits allowed during redevelopment then impose new RCFC obligations as the projects are completed.

RCFC revenue was budgeted at \$9.2 million in 2020. RCFC revenues are down again in 2020 due to the pandemic-induced economic shutdown. Both the 2021-2022 biennial budget and longer term financial forecast now reflect reduced growth and RCFC revenues. Member charges (revenue) have increased and expenses are less than they were at a comparable time in 2019.

Cascade's capital assets decreased \$5.5 million in 2019 with the amortization of the water contracts greater than expenditures related to ongoing capital projects. Capital asset expenditures have been funded from capital contributions and Parity Bond proceeds.

The following table sets forth financial activities of Cascade for 2015 through 2019 based on audited financial statements.

Cascade Water Alliance
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended December 31

	2019	2018	2017	2016	2015
Operating Revenue					
Water sales	\$36,412,424	\$34,595,643	\$33,542,761	\$32,600,142	\$31,761,946
Administrative dues	3,286,899	3,378,267	3,303,660	3,103,512	2,966,435
Conservation program and other	821,152	911,993	991,476	1,062,670	2,911,519
Total Operating Revenue	40,520,475	38,885,903	37,837,897	36,766,324	37,639,900
Operating Expenses					
Cost of water sold	24,087,405	23,763,609	23,025,616	21,451,656	19,909,486
Depreciation and amortization	4,304,661	4,645,380	4,594,420	4,473,988	4,337,360
Operations	2,677,606	2,640,377	2,439,263	2,258,840	3,066,216
Salaries and benefits	2,192,918	2,076,480	1,798,016	1,846,728	1,713,505
Professional services	1,805,214	1,453,900	1,619,771	1,524,482	2,004,493
Communication and public information	476,885	436,068	391,925	295,331	305,576
Maintenance	320,226	299,615	348,161	203,060	1,017,312
Rent	225,469	225,469	225,469	154,491	165,874
Miscellaneous	290,686	147,935	153,559	167,945	118,018
Conservation rebate program	49,216	97,079	125,895	175,031	123,891
Insurance	108,396	110,185	119,530	177,420	96,468
Office expenses	96,025	80,649	119,247	81,993	75,565
Dues and subscriptions	58,390	62,077	55,318	35,212	43,260
Total Operating Expenses	36,693,097	36,038,823	35,016,190	32,846,177	32,977,024
Operating Income (Loss)	3,827,378	2,847,080	2,821,707	3,920,147	4,662,876
Non-Operating Revenue (Expenses)					
Build America Bond rebate	712,502	1,092,179	1,125,861	1,137,660	1,133,996
Interest income	1,521,058	1,259,668	744,968	460,926	448,253
Interest expense	(5,701,919)	(6,359,819)	(6,618,925)	(6,930,627)	(7,179,811)
Gain (loss) on impairment of water rights	798	(261,767)	(354,649)	-	-
Total Non-Operating Revenue (Expenses)	(3,467,561)	(4,269,739)	(5,102,745)	(5,332,041)	(5,597,562)
Capital Contributions					
Regional capital facilities charges	5,870,640	10,478,726	9,638,026	9,752,122	8,854,373
Change in Net Position	6,230,457	9,056,067	7,356,988	8,340,228	7,919,687
Total Net Position – Beginning	91,214,755	82,158,688	74,801,700	66,461,472	58,541,785
Total Net Position – Ending	\$97,445,212	\$91,214,755	\$82,158,688	\$74,801,700	\$66,461,472

Source: Cascade

The following table sets forth the net position of Cascade as of December 31 in the years 2015 through 2019 based on audited financial statements.

Cascade Water Alliance					
Statement of Net Position					
(As of December 31)					
	2019	2018	2017	2016	2015
Assets:					
Cash and cash equivalents	\$ 13,546,108	\$ 11,760,550	\$ 13,114,928	\$ 12,371,260	\$ 13,360,258
Regional Capital Facility Charges receivable	2,183,288	1,822,842	2,888,869	2,438,363	1,399,928
Restricted cash and cash equivalents, current portion	5,743,428	5,630,812	17,520,404	5,412,161	5,306,040
Interest rebate receivable	–	356,251	367,964	378,949	379,356
Water rights receivable, current portion	682,219	391,224	391,222	391,222	391,222
Prepaid expenses	166,087	159,536	172,560	152,656	190,220
Total Current Assets	22,321,130	20,121,215	34,455,947	21,144,611	21,027,024
Capital Assets Net of Accumulated Depreciation:					
Equipment and furniture	1,984,332	1,758,641	1,659,422	1,626,343	1,579,426
Seattle water contract	22,267,611	22,267,611	22,267,611	22,267,611	22,267,611
Tacoma Water contract	119,740,687	119,740,687	119,740,687	121,168,551	121,168,551
SR900 Pipeline	10,021,201	10,021,201	10,021,201	10,021,201	10,021,201
Bellevue-Issaquah pipeline	22,276,944	22,276,944	22,276,944	22,215,027	22,176,148
Lake Tapps buildings	2,644,405	2,644,405	2,644,405	2,644,405	2,641,128
Total Capital Assets	178,935,180	178,709,489	178,610,270	179,943,138	179,854,065
Accumulated depreciation and amortization	(41,026,143)	(35,598,669)	(30,174,701)	(25,827,498)	(20,402,537)
Total Capital Assets Net of Accumulated Depreciation	137,909,037	143,110,820	148,435,569	154,115,640	159,451,528
Capital Assets Not Being Depreciated:					
Lake Tapps – infrastructure	99,743,325	99,599,607	99,278,915	97,586,083	95,063,834
Tacoma Cascade pipeline	16,518,184	16,935,929	16,927,223	17,027,223	17,027,223
Eastside Reservoir	–	–	262,567	262,567	262,567
Total Capital Assets	254,170,546	259,646,356	264,904,274	268,991,513	271,805,152
Restricted cash and cash equivalents	21,743,761	22,122,339	17,022,069	30,806,657	30,345,224
Water rights receivable, net of accumulated amortization	7,211,081	7,893,300	8,284,524	8,675,746	9,066,968
Bond issuance costs, net of accumulated amortization	–	–	–	–	5,211
Total Assets	305,446,518	309,783,210	324,666,814	329,618,527	332,249,579
Deferred Outflows of Resources:					
Advanced refunding of debt	1,441,330	1,627,312	1,813,781	2,000,256	2,194,966
Total Deferred Outflows of Resources	1,441,330	1,627,312	1,813,781	2,000,256	2,194,966
Current Liabilities:					
Payables and accrued liabilities	3,766,505	1,263,058	1,328,268	2,042,882	1,434,917
Payables related to Tacoma water contract, current portion	5,743,428	5,630,812	5,520,404	5,412,161	5,306,040
Payables related to Seattle water contract, current portion	–	–	12,000,000	–	–
Long-term debt payable from unrestricted assets current portion	39,474	39,474	39,474	39,474	40,876
	9,549,407	6,933,344	18,888,146	7,494,517	6,781,833
Payables from restricted assets:					
Accrued interest	1,961,538	2,499,695	2,612,162	2,710,090	2,807,346
Long-term debt current portion	5,325,000	5,830,000	5,605,000	5,405,000	5,375,000
Total payables from restricted assets	7,286,538	8,329,695	8,217,162	8,115,090	8,182,346
Total Current Liabilities:	16,835,945	15,263,039	27,105,308	15,609,607	14,964,179
Long-Term Debt, Net of Current Portion:					
Long-term debt payable from unrestricted assets	197,369	236,843	276,316	315,790	353,862
Long-term debt payable from restricted assets	104,320,000	115,965,000	121,795,000	127,400,000	132,805,000
	104,517,369	116,201,843	122,071,316	127,715,790	133,158,862

	2019	2018	2017	2016	2015
Other Long-term Liabilities:					
Payables related to Seattle water contract	5,000,000	5,000,000	5,000,000	17,000,000	17,000,000
Payables related to Tacoma water contract	71,825,842	77,569,270	83,200,082	88,720,486	94,132,647
Bond premium, net of amortization	11,263,480	6,161,615	6,945,201	7,771,200	8,727,385
Total Liabilities	209,442,636	220,195,767	244,321,907	256,817,083	267,983,073
Net Position:					
Invested in capital assets net of related debt	62,145,537	55,687,234	38,330,678	18,903,969	10,141,404
Restricted for debt service	15,514,470	20,721,482	18,192,395	18,258,323	23,158,989
Unrestricted	19,785,205	14,806,039	25,635,615	37,639,408	33,161,079
Total Net Position	\$ 97,445,212	\$ 91,214,755	\$ 82,158,688	\$ 74,801,700	\$ 66,461,472

Source: Cascade

Historical Debt Service Coverage Calculation

	2019	2018	2017	2016	2015
Operating Revenue ⁽¹⁾	\$40,520,475	\$38,885,903	\$37,837,897	\$36,766,324	\$37,639,900
Operating Expenses	(36,693,097)	(36,038,823)	(35,016,190)	(32,846,177)	(32,977,024)
Interest Income	367,196	258,498	180,153	159,115	117,001
Rate Stabilization Fund Withdrawal (Deposit)	-	-	-	-	-
Plus: Depreciation/Amortization	4,304,661	4,645,380	4,594,420	4,473,988	4,337,360
Plus: Debt Service Account Balance ⁽²⁾	5,278,341	9,877,826	7,407,973	7,426,520	14,119,154
Plus: Federal Credit Payments (Build America Bonds)	<u>712,502</u>	<u>1,092,179</u>	<u>1,125,861</u>	<u>1,137,660</u>	<u>1,133,996</u>
Funds Available for Debt Service	\$14,490,077	\$18,720,963	\$16,130,114	\$17,117,430	\$24,370,386
Annual Debt Service	9,849,680	11,881,222	11,925,587	12,198,687	11,971,632
Coverage	1.47x	1.58x	1.35x	1.40x	2.04x

⁽¹⁾ Operating Revenue does not include RCFCs. See the summary table above of historical Statement of Revenues, Expenses and Changes in Net Position.

⁽²⁾ Debt Service Account Balance is based on the balance on the last business day prior to commencement of the fiscal year. See "SECURITY FOR THE BONDS – Rate Covenant."

Source: Cascade

THE MEMBERS

The seven current Members of Cascade consist of five cities and two water-sewer districts. The information under this heading relates to the general powers of the Members to own, operate, and maintain water supply and distribution systems. Certain financial information and operating data regarding each individual Member are included in Appendix A. The information regarding each Member herein and in Appendix A was provided by that Member.

Any municipal water utility within the central Puget Sound region may be admitted to Cascade in the future on the terms and conditions set forth in the Joint Agreement, at the discretion of the Board, subject to restrictions on future Cascade water rights, or to limitations imposed by contract or permit. The Board has authority to determine whether to extend a membership offer to an applicant, taking into consideration findings from a water supply audit required under the Joint Agreement, Cascade water resources, and any other factors the Board deems advisable.

The seven current Members of Cascade are located within King County and are set forth below, along with the key metrics that Cascade uses to describe its wholesale customer base and to impose Member Charges. Cascade equivalent residential units ("CERUs") are assigned to each Member based on an inventory of the Member's water service connections, in accordance with water industry standards pertaining to meter flow capacity as an indicator of potential system demand. Cascade's administrative dues and conservation charges, which are separate from Demand Share Charges, are imposed on Members based on the number of CERUs assigned, making it possible for a Member to be billed even if that Member does not receive any water from Cascade. The Demand Share Charge, Cascade's primary mechanism for recovering costs from Members, is imposed on Members based on their estimated share of total water to be provided through Cascade (their "Demand Share"). Demand Shares are computed annually for each Member that takes water based on a rolling three-year history of actual wholesale water demand, and are generally expressed in millions of gallons per peak season day. See "MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Charges," "THE MEMBERS," and Appendix A.

CERUs, Percentage of Total Demand Shares and Member Charges for Each Member for 2020

Member	Cascade Equivalent Residential Units ⁽¹⁾		Percentage of Total Demand Shares ⁽²⁾	Member Charges ⁽³⁾	
	Number	% of Total		Amount	% of Total
City of Bellevue	68,925	39.70%	52.76%	\$22,827,416	46.29%
City of Issaquah	15,244	8.78	4.65	3,560,729	7.45
City of Kirkland	20,065	11.56	13.83	6,336,335	13.26
City of Redmond	33,024	19.02	17.55	8,691,267	18.19
Sammamish Plateau Water and Sewer District	24,082	13.87	3.46	3,797,687	7.95
Skyway Water and Sewer District	3,885	2.24	1.05	502,612	1.05
City of Tukwila	8,383	4.83	6.70	2,777,731	5.81
Total	173,605	100.00%	100.00%	\$47,783,074	100.00%

⁽¹⁾ The information shown regarding CERUs is as of December 31, 2019.

⁽²⁾ The information shown regarding Demand Shares (each Member's Demand Share for 2020, as a percentage of the total number of Demand Shares) is based on actual Member Demand Share Charges during the period of 2016 through 2018 and is used to establish each Member's projected 2020 Demand Share Charge.

⁽³⁾ Member Charges for 2020 including projected RCFC capital contributions.

Note: Totals may not foot due to rounding.

Source: Cascade

Demand Shares

Each Member is assigned a Demand Share each year, which is the current share of water expressed in MGD provided through Cascade, or the estimated share of water to be provided through Cascade. The Joint Agreement describes the methodology for computing Demand Shares, which are established by resolution of the Board for each year. Demand Shares are based primarily on historical usage patterns, using a three-year rolling average, and may be adjusted to reflect relative growth in customer bases. Such an adjustment would be applied through growth in net CERUs for each Member (on a percentage basis) from the mid-point of the three-year period to the most recent available data. The purpose of using the three-year period is to minimize the effects of variations caused by external factors such as weather and to improve the predictability of charges for Members.

Demand Shares are the greater of (i) average daily demand from Cascade during the peak season, currently defined as June through September; (ii) average daily demand from Cascade for the entire calendar year; or (iii) an amount assigned by the Board to reflect circumstances, such as changes in membership, substantial increases in demands, additions or loss of independent supply, minimum shares to offset Cascade capital outlays, or other factors as determined by the Board. Cascade expects the relative Demand Shares to change over time, with a higher percentage being assigned to faster growing areas. As certain areas experience more growth and are assigned more demand shares, the percentage of the total represented by slower growing Members can be expected to decline. Accordingly, the Demand Shares allocated to each Member and the percent of total demand shares represented by any Member can be expected to change over time and the relative Member Charges payable from Members to Cascade will also change. Demand Shares are the basis for allocations of fixed water supply charges of Cascade.

Member Demand Shares for 2016 through 2020

Member	2020	2019	2018	2017	2016
City of Bellevue	20.00	19.80	19.21	19.52	19.36
City of Issaquah	1.76	1.81	1.64	1.50	1.06
City of Kirkland	5.24	5.36	5.25	5.28	5.09
City of Redmond	6.65	6.75	6.44	6.53	6.13
Sammamish Plateau Water and Sewer District	1.31	1.14	1.03	1.04	1.01
Skyway Water and Sewer District	0.40	0.40	0.40	0.40	0.37
City of Tukwila	<u>2.54</u>	<u>2.60</u>	<u>2.63</u>	<u>2.63</u>	<u>2.55</u>
Total	37.91	37.86	36.60	36.89	35.57

Each Member Percentage of Total Demand Shares for 2016 though 2020

Member	2020	2019	2018	2017	2016
City of Bellevue	52.76%	52.29%	52.49%	52.91%	54.42%
City of Issaquah	4.65	4.77	4.48	4.06	2.97
City of Kirkland	13.83	14.15	14.34	14.30	14.30
City of Redmond	17.55	17.83	17.59	17.69	17.24
Sammamish Plateau Water and Sewer District	3.46	3.01	2.82	2.81	2.85
Skyway Water and Sewer District	1.05	1.07	1.09	1.10	1.05
City of Tukwila	<u>6.70</u>	<u>6.88</u>	<u>7.18</u>	<u>7.13</u>	<u>7.17</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Totals may not foot due to rounding.

Source: Cascade

Cascade Equivalent Residential Units

Each Member is assigned a number of CERUs each year, based upon a calculation that takes into account meter sizes served and water flow. CERUs are intended to reflect relative water demand and are the basis for allocation of certain Cascade fees and charges, including administrative dues and conservation charges. CERUs are also used to determine growth in the number of customers served by Members, which is the basis for RCFCs assessed by Cascade. Cascade expects the relative CERUs to change over time, with a higher percentage being assigned to faster growing areas. As certain areas experience more growth and are assigned more CERUs, the percentage of the total CERUs represented by slower growing Members can be expected to decline. The CERUs allocated to each Member and percent of total CERUs represented by any Member can be expected to change over time. Since growth in the number of CERUs is the basis for assessing RCFCs (which is a significant revenue source to Cascade), Members that may not presently represent a large number of CERUs and experience growth over time will contribute a larger amount of RCFC revenue. Accordingly, the present number and percent of total CERUs is not an indicator of relative RCFC payments to be made to Cascade.

The following tables set forth CERUs as of December 31 of each year.

Member CERUs for 2016 through 2020 by Member

Member	2020	2019	2018	2017	2016
City of Bellevue	68,925	68,532	66,046	68,109	67,377
City of Issaquah	15,244	15,080	14,563	13,335	14,230
City of Kirkland	20,065	19,870	19,482	19,316	19,206
City of Redmond	32,024	33,192	32,809	32,614	32,301
Sammamish Plateau Water and Sewer District	24,082	23,829	23,491	22,940	22,916
Skyway Water and Sewer District	3,885	3,881	3,851	3,844	3,846
City of Tukwila	<u>8,383</u>	<u>8,316</u>	<u>8,379</u>	<u>8,243</u>	<u>8,116</u>
Total	173,605	172,698	168,619	168,399	167,992

Each Member's Percentage of Member CERUs for 2016 through 2020

Member	2020	2019	2018	2017	2016
City of Bellevue	39.70%	39.68%	39.17%	40.44%	40.11%
City of Issaquah	8.78	8.73	8.64	7.92	8.47
City of Kirkland	11.56	11.51	11.55	11.47	11.43
City of Redmond	19.02	19.22	19.46	19.37	19.23
Sammamish Plateau Water and Sewer District	13.87	13.80	13.93	13.62	13.64
Skyway Water and Sewer District	2.24	2.25	2.28	2.28	2.29
City of Tukwila	<u>4.83</u>	<u>4.82</u>	<u>4.97</u>	<u>4.89</u>	<u>4.83</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Totals may not foot due to rounding.

Source: Cascade

Member Charges

Each Member has agreed in the Joint Agreement to pay all Member Charges required to be paid to Cascade by that Member. See "MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Charges." Member Charges are based on Demand Shares, CERUs or growth in CERUs, as described in the Joint Agreement. The following tables set forth actual Member Charges for each Member for calendar years ended December 31, 2016 through 2020 and the percentages those charges represent of the total Member Charges in the related year.

Member Charges for 2016 through 2020 by Member (including RCFCs)

Member	2020	2019	2018	2017	2016
City of Bellevue	\$22,827,416	\$23,132,689	\$22,480,016	\$22,082,647	\$21,915,716
City of Issaquah	3,152,863	3,157,599	3,227,452	3,631,440	2,092,211
City of Kirkland	6,695,654	6,894,111	6,684,625	5,960,766	6,304,032
City of Redmond	7,783,470	6,322,955	9,931,300	7,254,731	8,613,153
Sammamish Plateau Water and Sewer District	3,183,857	3,306,433	3,569,497	4,813,703	4,046,961
Skyway Water and Sewer District	526,275	510,247	508,617	705,173	435,834
City of Tukwila	<u>2,852,155</u>	<u>3,137,180</u>	<u>2,852,794</u>	<u>2,835,755</u>	<u>2,893,913</u>
Total	\$47,021,690	\$46,461,215	\$49,254,299	\$47,284,213	\$46,301,818

Each Member's Percentage of Total Member Charges for 2016 through 2020

Member	2020	2019	2018	2017	2016
City of Bellevue	48.5%	49.8%	45.6%	46.7%	47.3%
City of Issaquah	6.7	6.8	6.6	7.7	4.5
City of Kirkland	14.2	14.8	13.6	12.6	13.6
City of Redmond	16.6	13.6	20.2	15.3	18.6
Sammamish Plateau Water and Sewer District	6.8	7.1	7.2	10.2	8.7
Skyway Water and Sewer District	1.1	1.1	1.0	1.5	0.9
City of Tukwila	<u>6.1</u>	<u>6.8</u>	<u>5.8</u>	<u>6.0</u>	<u>6.3</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Totals may not foot due to rounding.

Source: Cascade

General Authority

Each of the Members is responsible for providing water service to its customers. State law provides that municipal corporations and certain special purpose districts, including the Members, may establish water rates by action of their governing body, independent of review or approval by any State board or commission such as the State Utilities and Transportation Commission. Water rates established by the Members must be non-discriminatory, and Members must be in compliance with the Safe Water Drinking Act. Each Member is in compliance with these requirements.

Governing Bodies

The five current Members that are cities are each governed by a city council and mayor, under one of the various forms of city government specified by State law. Each of the two current Members that are water-sewer districts is governed by a board of commissioners, which may have three or five members. All council members and commissioners are elected by the registered voters within their respective city or district.

Accounting and Auditing

State law requires that each Member's accounting and reporting policies conform to the rules and regulations adopted by the State Auditor's Office. Each Member's financial statements are required to be audited by the Office of the State Auditor.

Member and Regional Water Rates

The following table sets forth typical monthly single-family residential water bills for Cascade Members and other cities or districts within the region that provide water service. Some utilities charge higher rates in the summer, while others charge the same rate year round. Information in the following table is based on summer rates, using the rates for the smallest water meter size, and assumes 800 cubic feet of monthly water consumption.

Member and Other Regional Water Rates for 2020	
Cascade Members	Monthly Water Charge
City of Bellevue	\$59.62
City of Issaquah	55.14
City of Kirkland	52.59
City of Redmond ⁽¹⁾	37.43
Sammamish Plateau Water and Sewer District	49.07
Skyway Water and Sewer District	65.45
City of Tukwila	61.20
Other Regional Cities or Districts	Monthly Water Charge
City of Everett	\$47.45
City of Mercer Island	62.55
Northshore Utility District	45.70
City of Renton	41.34
City of Seattle	66.78
Tacoma Public Utilities	43.61
Woodinville Water District	64.32

⁽¹⁾ The City of Redmond has two separate service areas. The rate shown here is for the City Service Area. The rate for the Novelty Hill Service Area is \$67.00.

Source: Individual entities.

Member Information

City of Bellevue. The City of Bellevue (“Bellevue”) is located on the east side of Lake Washington, across the lake from Seattle. Bellevue was incorporated in 1953 and encompasses more than 33 square miles, with a population of 148,100, estimated as of April 1, 2020, by the State Office of Financial Management (“OFM”). See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – City of Bellevue.”

City of Issaquah. The City of Issaquah (“Issaquah”) is located in the central portion of King County, approximately 15 miles southeast of Seattle. Issaquah was incorporated in 1892 and encompasses approximately 11.4 square miles. Issaquah has a population of 38,690, estimated as of April 1, 2020 by OFM. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – City of Issaquah.”

City of Kirkland. The City of Kirkland (“Kirkland”) is located on the east side of Lake Washington, just northwest of Bellevue and approximately 12 miles northeast of Seattle. Kirkland was incorporated in 1905, and encompasses approximately 18 square miles. Kirkland has a population of 90,660, estimated as of April 1, 2020 by OFM. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – City of Kirkland.”

City of Redmond. The City of Redmond (“Redmond”) is located on the east side of Lake Washington, just northeast of Bellevue and approximately 15 miles east-northeast of Seattle. Redmond was incorporated in 1912, and encompasses approximately 17 square miles. Redmond has a population of 69,900, estimated as of April 1, 2020 by OFM. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – City of Redmond.”

Sammamish Plateau Water and Sewer District. Sammamish Plateau Water and Sewer District (“Sammamish”) provides water and wastewater service to an area consisting primarily of rural and suburban residential property in the central portion of King County. Sammamish was formed in 1948 and provides water and wastewater service to all of the City of Sammamish, portions of Issaquah and Redmond, and portions of unincorporated King County. Sammamish serves a population of 64,800, estimated by Sammamish. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – Sammamish Plateau Water and Sewer District.”

Skyway Water and Sewer District. Skyway Water and Sewer District (“Skyway”) is located in unincorporated King County, southwest of Lake Washington. Skyway was formed in 1986 through the merger of five separate water and/or sewer districts, and encompasses an area of approximately three square miles. Skyway provides water and wastewater service to an area consisting primarily of suburban residential property just south of Seattle. Skyway has a population of 11,128 as of January 1, 2020, as estimated by Skyway. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – Skyway Water and Sewer District.”

City of Tukwila. The City of Tukwila (“Tukwila”) is located in the western portion of King County, just south of Seattle. Tukwila was incorporated in 1908 and encompasses approximately 9.7 square miles. Tukwila has a population of 21,360, estimated as of April 1, 2020 by OFM. See Appendix A – “FINANCIAL INFORMATION OF THE MEMBERS – City of Tukwila.”

GENERAL AND ECONOMIC INFORMATION

Cascade is located in King County, which encompasses 2,128 square miles, ranking eleventh in geographical size of the State’s thirty-nine counties. King County is the largest county by population in the State and is the financial, economic and industrial center of the Pacific Northwest Region. Nearly 30 percent of the State’s population resides in King County, and of King County’s population, 33 percent resides in Seattle. King County, together with all of Snohomish County (located to its north), and Pierce County (located to its south), constitutes the Seattle Primary Metropolitan Statistical Area (the “Seattle PMSA”) as defined by the United States Census Bureau. King County makes up approximately 57 percent of the population of the Seattle PMSA.

King County has 39 incorporated cities and towns. Historical population figures for the State and King County are set forth below.

Population		
Year	Washington	King County
2020	7,656,200	2,260,800
2019	7,546,410	2,226,300
2018	7,427,570	2,190,200
2017	7,310,300	2,153,700
2016	7,183,700	2,105,100

Source: Washington State Office of Financial Management

Economic Indicators

Economic indicators for King County are provided as follows:

Taxable Retail Sales	
Year	King County ⁽¹⁾
2020 ⁽¹⁾	\$31,026,732,730
2019 ⁽¹⁾	34,518,345,870
2019	72,785,180,223
2018	69,018,485,985
2017	62,910,608,935
2016	59,530,882,870
2015	54,890,159,770

⁽¹⁾ Through second quarter only.

Source: Washington State Department of Revenue

King County Median Household Income

Year	King County	Washington
2019 ⁽¹⁾	\$92,693	\$74,992
2018 ⁽²⁾	89,881	73,294
2017	88,466	69,288
2016	84,897	65,500
2015	80,998	63,439

⁽¹⁾ Projection. Most recent data available.

⁽²⁾ Estimate.

Source: Washington State Office of Financial Management.

King County (Total) Residential Building Permits

Year	New Single-Family Units		New Multifamily Units		Total
	Number	Value (\$000s)	Number	Value (\$000s)	Value (\$000s)
2019	3,777	\$1,494,506	14,142	\$2,071,136	\$3,565,642
2018	4,442	1,747,484	14,018	1,642,110	3,389,593
2017	4,356	1,735,074	14,285	2,174,577	3,909,651
2016	4,254	1,616,723	13,445	1,759,256	3,375,978
2015	4,010	1,539,049	14,527	2,227,509	3,766,558

Source: United States Census Bureau.

Civilian Labor Force and Employment

King County	October	2019	2018	Annual Average		2015
	2020 ⁽¹⁾			2017	2016	
Civilian Labor Force	1,263,930	1,290,480	1,264,754	1,238,090	1,213,744	1,184,240
Employment	1,204,605	1,254,638	1,224,648	1,194,955	1,167,122	1,134,979
Unemployment	59,325	35,842	40,106	43,135	46,622	49,261
Unemployment Rate	4.7%	2.8%	3.2%	3.5%	3.8%	4.2%
Washington State						
Civilian Labor Force	4,004,506	3,914,154	3,807,013	3,726,120	3,644,319	3,550,573
Employment	3,781,882	3,747,713	3,637,581	3,551,136	3,452,854	3,350,352
Unemployment	222,624	166,441	169,432	174,984	191,465	200,221
Unemployment Rate	5.6%	4.3%	4.5%	4.7%	5.3%	5.6%

⁽¹⁾ Preliminary. Most recent data available.

Source: State Employment Security Department.

Major Employers in the Puget Sound Area ⁽¹⁾

Employer	Number of Full-Time Employees
The Boeing Company	71,829
Amazon.com	60,000 ⁽²⁾
Microsoft Corp.	55,063
Joint Base Lewis-McChord	54,000 ⁽³⁾
University of Washington	46,824
Providence Health & Services	43,000 ⁽⁴⁾
Safeway Inc. & Albertsons LLC	21,329 ⁽⁴⁾
Walmart Inc.	19,412
Costco Wholesale Corp.	18,045
MultiCare Health System	17,187
Fred Meyer Stores	16,164
King County Government	15,851
City of Seattle	15,733
Starbucks Coffee Co.	14,000
CHI Franciscan Health	12,516
Seattle Public Schools	11,886
Kaiser Permanente	10,000
Alaska Air Group	9,574
Nordstrom Inc.	9,200 ⁽⁴⁾
Virginia Mason Health System	9,066

⁽¹⁾ Does not include part-time or seasonal employment figures. Includes State-wide employment data.

⁽²⁾ Amazon said it had more than 60,000 employees but did not provide an exact count.

⁽³⁾ 40,000 are service members and 14,000 are civilian employees.

⁽⁴⁾ The latest information available is from May 2019.

Source: Puget Sound Business Journal 2019 Book of Lists.

LEGAL INFORMATION

Absence of Litigation Affecting the Bonds or the Joint Agreement

There is no proceeding pending or threatened to restrain or enjoin the issuance or sale of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of Cascade taken with respect to the issuance or sale thereof, the collection, pledge or application of the Net Revenue to payment of the Bonds, the validity of the Joint Agreement or the existence or powers of Cascade insofar as they relate to the authorization, sale and issuance of the Bonds or such collection, pledge or application of the Net Revenue.

Pending Litigation

There is no litigation pending or threatened which would materially affect Cascade's ability to meet debt service requirements on the Bonds. Because of the nature of its activities, Cascade is subject to certain pending legal actions which arise in the ordinary course of business. Based on the information presently known, Cascade believes that the ultimate liability for any of such legal actions will not be material to the financial position of Cascade.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds by Cascade are subject to the approving legal opinion of Foster Garvey PC, Seattle, Washington, Bond Counsel. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result.

Certain legal matters will be passed upon for Cascade by its General Counsel, Van Ness Feldman LLP of Seattle, Washington.

Potential Conflicts of Interest

Cascade is aware of the following conflicts of interest various parties may have in connection with the issuance of the Bonds. Some of the fees of the Financial Advisor and Bond Counsel are contingent upon the sale of the Bonds. Bond Counsel is serving or has served as bond counsel and other special counsel to Bellevue, Issaquah, Kirkland, Redmond, Tukwila, Seattle, Skyway and Tacoma. Northwest Municipal Advisors has served as financial advisor to Tacoma.

Enforceability of Remedies

The remedies available to the Registered Owners upon an Event of Default under the Bond Resolution or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay and could be both expensive and time consuming to obtain. If Cascade fails to comply with its covenants under the Bond Resolution or to pay principal of or interest on the Bonds when due, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in State law, the rights and obligations under the Bonds and the Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The legal opinion of Bond Counsel regarding the validity of the Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity.

A municipal corporation such as Cascade must be specifically authorized under state law in order to seek relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). Washington State law expressly permits any "taxing district" (defined to include any municipality or political subdivision) to voluntarily petition for relief under a predecessor to the Bankruptcy Code. A creditor cannot bring an involuntarily bankruptcy proceeding against a municipality, including Cascade. Under Chapter 9, a federal bankruptcy court may not appoint a receiver

for a municipality or order the dissolution or liquidation of the municipality. The federal bankruptcy courts have certain discretionary powers under the Bankruptcy Code.

TAX MATTERS

This advice was written to support the promotion or marketing of the Bonds. This advice is not intended or written to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the Code. Prospective purchasers of the Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion generally describes certain aspects of the principal United States federal tax treatment of United States persons that are Beneficial Owners of Bonds who have purchased Bonds in the initial offering and who hold the Bonds as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a “United States person” means an individual who, for United States federal income tax purposes, is (1) a citizen or resident of the United States, (2) a corporation, partnership, or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate, the income of which is subject to United States federal income taxation regardless of its source of income, or (4) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (B) the trust has a valid election in effect to be treated as a United States person under the applicable Treasury Regulations.

This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury Regulations (all as of the date of this Official Statement and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to a Beneficial Owner in light of its particular circumstances, such as a Beneficial Owner who may purchase Bonds in the secondary market, or to Beneficial Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-United States persons, taxpayers who may be subject to the personal holding company provisions of the Code, or dealers in securities. **Accordingly, before deciding whether to purchase any Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owning, and disposing of the Bonds.**

In General. Interest on the Bonds is not excludable from the gross income of the Beneficial Owners for federal income tax purposes, and Beneficial Owners of the Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the Bonds.

Payments of Interest. Interest paid on the Bonds will generally be taxable to Beneficial Owners as ordinary interest income at the time it accrues or is received, in accordance with the Beneficial Owner’s method of accounting for United States federal income tax purposes. Beneficial Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Beneficial Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Defeasance of Bonds. If Cascade defeases any Bonds, such Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Beneficial Owner of a Bond would recognize a gain or loss on the Bond at the time of defeasance.

Original Issue Premium. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership, and disposition of Bonds issued with original issue premium (“Premium Bonds”). A Bond that is purchased in the initial offering for a price that is in excess of the Bond’s stated redemption price at maturity is a “Premium Bond,” and the excess amount is treated as original issue premium. The Beneficial Owner of a Premium Bond is required to amortize original issue premium over the Bond’s term using constant yield principles, based on the Bond’s yield to maturity. The Beneficial Owner of a Premium Bond that is subject to optional redemption before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such a Premium Bond. As premium is amortized, the Beneficial Owner’s tax basis in the Premium Bond is reduced. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale of the Premium Bond prior to its maturity. In some circumstances, the

Beneficial Owner of a Premium Bond may realize a taxable gain on the sale of a Premium Bond even though it is sold for an amount less than or equal to the Beneficial Owner's original cost. Prospective purchasers of Premium Bonds should consult their own tax advisors regarding the tax accounting treatment of original issue premium on Premium Bonds.

Backup Withholding. A Beneficial Owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 24 percent, but may change in the future) with respect to interest or original issue discount on the Bonds. This withholding generally applies if the Beneficial Owner of a Bond (1) fails to furnish the Registrar or other payor with its taxpayer identification number; (2) furnishes the Registrar or other payor an incorrect taxpayer identification number; (3) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (4) under certain circumstances, fails to provide the Registrar or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Beneficial Owner is not subject to backup withholding. Any amount withheld may be creditable against the Beneficial Owner's United States federal income tax liability and be refundable to the extent it exceeds the Beneficial Owner's United States federal income tax liability. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds will be reported to the Beneficial Owners and to the Internal Revenue Service.

ERISA CONSIDERATIONS

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (each, a "Plan") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. Each fiduciary of a Plan should consult its own tax advisors with respect to the consequences of any investment in the Bonds.

CONTINUING DISCLOSURE

Cascade has agreed for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data of Cascade and of the Members ("Required Members") required to pay 10 percent or more of the Member Charges paid during the applicable fiscal year (the "Annual Disclosure Report"), by not later than nine months following the end of Cascade's fiscal year (currently, a year ending on December 31), commencing with the Annual Disclosure Report for the 2020 fiscal year, and to provide notices of the occurrence of certain events. Each of the Members has agreed that in each year in which the Member Charges such Member is required to pay are 10 percent or more of the sum of the Member Charges paid by all of the Members in such year, such Member will provide to Cascade not later than August 31 of the following year historical financial information and operating data of the type included for such Member in the Official Statement and required to be updated by Cascade.

Cascade's Annual Disclosure Report and notices of listed events are to be filed with the MSRB. The specific nature of the information to be contained in the Annual Disclosure Report and in notices of listed events is set forth in Cascade's Continuing Disclosure Certificate, the proposed form of which is included as Appendix E.

Cascade timely filed its unaudited annual financial statements for the fiscal year ended December 31, 2015, but did not timely file its audited financial statements. Cascade has since filed those audited financial statements and provided notice of the failure to file.

Redmond, a Required Member, did not timely file its financial statements for the year ended December 31, 2019. Redmond subsequently filed those financial statements, and Cascade provided notice of the failure to file.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and require the State Legislature to refer legislation to the voters through the power of initiative and referendum, respectively. The initiative power may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of petitions signed by at least eight percent (initiatives) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Qualifying initiatives to the voters are submitted at the next state general election and must be approved by a majority of voters to be enacted into law. Initiatives to the Legislature are submitted to the Legislature at its regular session each January. Once submitted, the Legislature must either adopt the initiative as proposed, reject the

proposed initiative (in which case the initiative must be placed on the ballot at the next state general election) or approve an amended version of the proposed initiative (in which case both the amended version and the original proposal must be placed on the next state general election ballot). Any initiative approved by a majority of voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature; after two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Initiative petitions may be filed from time to time. In recent years there has been an increase in the number of initiatives and referenda filed in the State, including initiatives affecting the powers of local jurisdictions. Cascade cannot predict whether any initiatives affecting Cascade will qualify to be submitted to the people for vote or, if submitted, will be approved.

OTHER BOND INFORMATION

Rating

S&P Global Ratings has assigned its municipal bond rating of “AAA” to the Bonds. The rating for the Bonds was applied for by Cascade and certain information was supplied by Cascade and the Members to the rating agency to be considered in evaluating the Bonds. The rating reflects only the view of the rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating would be likely to have an adverse effect on the market price of the Bonds. The other outstanding Parity Bonds have also been assigned municipal bond ratings by Moody’s Investors Service, Inc.

Financial Advisor

Northwest Municipal Advisors (the “Financial Advisor”) has served as Financial Advisor to Cascade relative to the preparation of the Bonds for sale, timing of the sale and other factors relating to the Bonds. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Bonds. The Financial Advisor makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities. A portion of the compensation of the Financial Advisor is contingent upon the sale of the Bonds and delivery thereof to the Purchaser.

Underwriting

The Bonds are being purchased by Robert W. Baird & Co., Inc. (the “Purchaser”), at a price of \$30,617,536.83. The Bonds will be re-offered at a price of \$30,982,799.55. The Purchaser has represented that the Bonds will be reoffered at the prices or yields set forth on the inside cover of this Official Statement. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the cover hereof, and such initial offering prices may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices may be varied from time to time.

Summaries, Opinions and Estimates Qualified

The references, excerpts and summaries contained herein of the Bond Resolution, the Joint Agreement and any other documents or agreements referred to herein do not purport to be complete statements of the provisions of such documents or agreements and reference should be made to such documents or agreements for a full and complete statement of all matters relating to the Bonds, the basic agreements securing the Bonds and the rights and obligations of the holders thereof. The Bond Resolution is included as Appendix B. Copies of other reports, documents, agreements and studies referred to herein and in the Appendices hereto are available upon written request at the office of Cascade shown on page iii of this Official Statement.

The authorizations, agreements and covenants of Cascade are set forth in the Bond Resolution, and neither this Official Statement nor any advertisement of the Bonds is to be construed as a contract with the holders of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

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APPENDIX A

FINANCIAL INFORMATION OF THE MEMBERS

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City of Bellevue

Payments to Cascade

The City of Bellevue's ("Bellevue") budgeted payments to Cascade for 2020 total \$23,708,076, as follows:

Administration Dues	\$ 1,299,865
Demand Share Charges	19,751,277
RCFC	2,334,200
Conservation	322,734
Total	<u>\$23,708,076</u>

Note: Totals may not foot due to rounding.

Bellevue

Bellevue is located on the east side of Lake Washington, across the lake from Seattle. Bellevue was incorporated in 1953, and encompasses approximately 33 square miles. Bellevue has a total population of approximately 148,100, as of April 1, 2020, according to the State's Office of Financial Management. Bellevue is organized as a code city, with a council-manager form of government, with a seven-member elected council. Bellevue's city council members are elected to overlapping four-year terms. The mayor is one of the seven city council members and is elected by council members to serve in that capacity. The city council has authority to set rates and charges for water service.

Bellevue's Water Utility

Bellevue's water utility service area covers 36.7 square miles. Bellevue's water utility owns and operates 610 miles of water distribution and transmission mains, 24 reservoirs with over 41.5 million gallons of storage, and 22 pump stations. Bellevue's water utility serves most of Bellevue as well as the adjacent communities of Clyde Hill, Hunts Point, Medina, and Yarrow Point, and sections of the city of Kirkland.

Bellevue's water utility purchases all of its water from Cascade. In 2019, Bellevue's water utility sold approximately 4,788 million gallons of water to approximately 37,000 water customer accounts. In 2019, the largest customer of Bellevue's water utility represented 1.4 percent of total water revenue, and the top ten customers represented 5.5 percent of total water revenue.

Outstanding Debt

Bellevue's water utility is a component of Bellevue's waterworks utility, which is the financial consolidation of the City's water, sewer, and storm and surface water utilities for debt rating and coverage purposes. Only the revenues of Bellevue's water utility are obligated under the Joint Agreement. The revenues of the sewer and storm and surface water utilities are not obligated under the Joint Agreement. Bellevue has no water, sewer or storm and surface water revenue bonds outstanding. Bellevue does not anticipate incurring additional water utility debt in the next 12 months.

Debt Repayment Record

Bellevue has promptly met all principal and interest payments of its bonds when due, and has never defaulted on a payment of principal or interest on any of its bonds. Bellevue has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results of Bellevue's Water Utility

The following table sets forth historical operating results for Bellevue's water utility.

Summary Statements of Revenues, Expenses, and Changes in Net Position for Water Utility Fund

Fiscal Year Ended December 31

(\$000s)

	2019	2018	2017	2016	2015
Operating revenues:					
Service charges and fees	\$ 67,426	\$ 64,356	\$ 61,608	\$ 57,203	\$ 54,892
Other	–	10	14	13	2,774
Total operating revenues	67,426	64,366	61,622	57,215	57,666
Operating expenses:					
Administrative and general	15,408	15,796	11,816	15,276	14,055
Maintenance and operations	30,274	29,585	29,631	28,915	26,518
Depreciation	4,791	4,512	4,275	4,107	3,957
Total operating expenses	50,473	49,893	45,722	48,299	44,529
Operating income (loss)	16,953	14,473	15,900	8,917	13,136
Nonoperating revenues (expenses):					
Interest income	2,233	1,520	954	692	502
Net change in fair value of Investments	531	149	(245)	(153)	7,522
Rental Income	310	486	413	410	431
Gain (loss) on disposal of capital assets	128	–	3	3	70
Other nonoperating revenues	2	104	1,149	226	39
Total nonoperating revenues (expenses)	3,204	2,259	2,274	1,178	8,565
Income before contributions & transfers	20,157	16,732	18,174	10,095	21,701
Transfers in	12	51	39	16	18
Transfers out	–	–	(32)	(7)	(16)
Capital contributed from external sources	5,972	4,087	2,909	4,062	3,050
Total special items, contributions & transfers	5,984	4,138	2,916	4,071	3,052
Change in net position	26,141	20,870	21,090	14,166	24,753
Net position – Beginning	255,284	234,414	213,331	232,431	209,796
Prior period adjustment	–	–	(7)	(33,265)	(2,119)
Net position – ending	\$281,425	\$255,284	\$234,414	\$213,331	\$232,431

Note: Totals may not foot due to rounding.

Source: City of Bellevue

City of Issaquah

Payments to Cascade

The City of Issaquah's ("Issaquah") budgeted payments to Cascade for 2020 total \$3,152,412, as follows:

Administration Dues	\$ 287,370
Demand Share Charges	1,737,818
RCFC	1,055,432
Conservation	71,792
Total	\$3,152,412

Note: Totals may not foot due to rounding.

Issaquah

Issaquah is located in the central portion of King County, approximately 15 miles southeast of Seattle. Issaquah was incorporated in 1892 and encompasses approximately 11.4 square miles. Issaquah has an estimated population of 38,690, as of April 1, 2020, according to the State's Office of Financial Management. Issaquah is organized as a code city, governed by a mayor-council form of government, with a seven-member elected council. Issaquah's council members are elected to overlapping four-year terms. The mayor is elected to serve in a full-time capacity, for a four-year term. A city administrator and other officers and department directors are appointed by the mayor with approval of the council members. The city council has authority to set rates and charges for water service.

Issaquah's Water Utility

Issaquah operates its water utility as a separate enterprise fund. Water supply comes primarily from groundwater produced by wells, and Issaquah has certificate rights to withdraw 2,800 acre-feet of groundwater annually with a maximum instantaneous withdrawal of 3,880 gallons per minute. Issaquah's water transmission and distribution system has approximately 90 miles of pipe ranging in size from three to sixteen inches in diameter, 12 reservoirs totaling approximately 12 million gallons, 12 booster pump stations, 25 pressure reducing stations and four wells providing a combined capacity of 3,080 gallons per minute. Issaquah's water storage facilities are covered, ground level reservoirs or standpipes.

In addition to its independent well supply, Issaquah contracts and purchases water supply from Cascade. In 2019, Issaquah's water utility sold approximately 1,092,068 hundred cubic feet of water to approximately 8,493 accounts. The top ten customers represented approximately \$1,049,336 of total water revenue.

Outstanding Debt

As of December 31, 2019, the water utility had a total of \$1,200,000 of outstanding water revenue bonds. The bond ordinance for the water utility currently has a debt service coverage requirement of 125 percent. Issaquah does anticipate incurring additional water utility debt in the next 12 months.

Debt Repayment Record

Issaquah has promptly met all principal and interest payments of its bonds when due and has never defaulted on a payment of principal or interest on any of its bonds. Issaquah has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following table sets forth historical operating results for Issaquah's water utility.

Summary Statements of Revenues, Expenditures and Changes in Net Position for Water Utility Fund

Fiscal Year Ended December 31

(\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Charge for Services	\$10,901	\$10,583	\$ 9,639	\$ 7,881	\$ 7,579
Miscellaneous	0	3	-	-	-
Total Operating Revenues	10,901	10,586	9,639	7,881	7,579
Operating Expenses					
Maintenance and Operations	9,092	9,691	8,644	6,286	7,903
Depreciation, Amortization, and Depletion	1,965	1,933	1,883	1,825	1,781
Total Operating Expenses	11,057	11,623	10,527	8,111	9,683
Operating Income (Loss)	(156)	(1,037)	(888)	(230)	(2,104)
Nonoperating Revenues (Expenses)					
Interest Earnings	227	73	41	58	77
Intergovernmental Revenues	0	200	-	-	-
Interest Charges	(71)	(91)	(112)	(128)	(143)
Gain (Loss) on Disposal of Assets	0	(34)	-	-	(33)
Other Nonoperating Revenues (Expenses)	569	622	584	584	573
Total Nonoperating Revenues (Expenses)	725	770	513	514	475
Income (Loss) before Contributions, Transfers, and Special Items	569	(267)	(375)	285	(1,629)
Capital Contributions	1,541	2,307	3,676	1,370	2,665
Developer Donated Assets	0	-	-	-	4,583
Transfers In	55	-	-	-	-
Transfers Out	(200)	(229)	(550)	(106)	(100)
Increase (Decrease) in Net Position	1,965	1,811	2,751	1,548	5,519
Total Net Position – Beginning	67,257	65,099	62,348	60,800	57,026
Prior Period Adjustments	(4)	(347)	-	-	(319)
Total Net Position – Ending	\$69,218	\$67,257	\$65,099	\$62,348	\$60,800

Note: Totals may not foot due to rounding.

Source: City of Issaquah.

City of Kirkland

Payments to Cascade

The City of Kirkland's ("Kirkland") budgeted payments to Cascade for 2020 total \$6,695,654, as follows:

Administration Dues	\$ 383,836
Demand Share Charges	5,291,538
RCFC	924,980
Conservation	95,300
Total	\$6,695,654

Kirkland

Kirkland is located in the eastern portion of King County, along the eastern shore of Lake Washington, approximately twelve miles northeast of Seattle. Kirkland was incorporated in 1905, and encompasses approximately 18 square miles. Kirkland has an estimated population of 90,660, as of April 1, 2020, according to the State's Office of Financial Management. Kirkland is organized as a code city, with a council-manager form of government, with a seven-member elected council. Kirkland's council members are elected to overlapping four-year terms. The mayor is one of the seven council members and is elected by council members to serve in that capacity. The city council has authority to set rates and charges for water service.

Water and sewer services in the areas of unincorporated King County adjacent to the previous northern city limit that were annexed in 2011 continue to be provided by the Northshore Utility District ("Northshore") and the Woodinville Water District ("Woodinville") within their respective service areas. Kirkland has an existing franchise agreement with each district that expires December 31, 2023. Each of the agreements contains automatic five-year extensions unless either party gives the other written notice of nonrenewal. In the event of nonrenewal, the franchise terminates five years after the most recent renewal date.

The Water Division

Kirkland's water division includes two reservoirs for storage: one with a capacity of 14.3 million gallons and one with a capacity of 11.5 million gallons. The water division maintains 173 miles of water mains, 1,899 fire hydrants, three pump stations and 36 pressure control stations.

Kirkland's water division purchases all of its water, and has no other supply or treatment facilities. In 2019, the water utility sold approximately 4,843 million gallons of water per day to approximately 12,872 retail accounts within Kirkland and in small portions of the city of Redmond and city of Bellevue service areas. In 2019, the largest customer of the water utility represented approximately 0.85 percent of total water revenue and the top ten accounts represented approximately 5.49 percent of total water revenue.

Outstanding Debt

Kirkland has a combined utility system for purposes of financing, which includes a water division and a sewer division. Only the revenues of the water division are obligated under the Joint Agreement. The revenues of the sewer division are not obligated under the Joint Agreement. As of December 31, 2019, the combined system had no outstanding water and sewer revenue bonds, and \$3,792,156 of loans from the State's Public Works Trust Fund. Kirkland does not anticipate incurring additional water utility debt in the next 12 months.

Debt Repayment Record

Kirkland has promptly met all principal and interest payments of its bonds when due, and has never defaulted on a payment of principal or interest on any of its bonds. Kirkland has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following table sets forth historical operating results for Kirkland's combined water and sewer systems. Only the revenues from the water system are obligated under the Joint Agreement. For the fiscal year ended December 31, 2019, Kirkland's water operating revenue totaled \$14,656,941, or 49.5 percent of the total operating revenues for the combined water/sewer utility.

Summary Statements of Revenues, Expenses, and Changes in Net Position for Water/Sewer Utility

Fiscal Year Ended December 31

(\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Charges for Services	\$ 29,264	\$ 29,195	\$ 28,181	\$ 27,947	\$27,452
Miscellaneous Revenues	452	431	394	361	345
Total Operating Revenues	29,716	29,626	28,575	28,308	27,797
Operating Expenses					
Administrative and General	3,158	2,907	2,868	3,069	3,104
Maintenance and Operations	18,057	18,013	16,964	16,267	15,605
Taxes	3,841	3,853	3,753	3,655	3,612
Depreciation	2,996	2,883	2,852	2,768	2,642
Total Operating Expenses	28,052	27,657	26,436	25,759	24,963
Operating Income (Loss)	1,664	1,969	2,139	2,549	2,834
Nonoperating Revenue (Expenses)					
Interest and Investment Revenue	1,203	592	237	217	202
Interest Expense	(20)	(21)	(20)	(11)	(7)
Gain (Loss) on Disposal of Capital Assets	(53)	–	(13)	(4)	(11)
Total Nonoperating Revenues (Expenses)	1,129	571	205	201	184
Income Before Contributions & Transfers	2,794	2,540	2,344	2,750	3,018
Capital Contributions	2,442	3,098	3,005	2,205	3,021
Transfers In	–	–	–	7	–
Transfers Out	(350)	(884)	(268)	(311)	(234)
Change in Net Position	4,886	4,755	5,081	4,652	5,805
Total Net Position – Beginning	138,600	133,846	128,765	124,113	119,146
Change in Accounting Principle	–	–	–	–	(838)
Total Net Position – Ending	\$143,486	\$138,600	\$133,846	\$128,765	\$124,113

Note: Totals may not foot due to rounding.

Source: City of Kirkland.

City of Redmond

Payments to Cascade

The City of Redmond's ("Redmond") budgeted payments to Cascade for 2020 total \$9,386,157, as follows:

Administration Dues	\$ 635,226
Demand Share Charges	6,493,173
RCFC	2,099,062
Conservation	158,696
Total	\$9,386,157

Note: Totals may not foot due to rounding.

Redmond

Redmond is located in the eastern portion of King County, approximately 15 miles east of Seattle. Redmond was incorporated in 1912 and encompasses approximately 17 square miles. Redmond has an estimated population of 69,900, as of April 1, 2020, according to the State's Office of Financial Management. Redmond is organized as a code city, governed by a mayor-council form of government, with a seven-member elected council. Redmond's council members are elected at large to staggered four-year terms. The mayor is elected to serve in a full-time capacity for a four-year term. Department directors are appointed by the mayor with approval of the council members. The city council has authority to set rates and charges for water service.

Redmond's Water Utility

Redmond has water right certificates in connection with its water system facilities that are further described below to withdraw 5,229 acre-feet of groundwater annually with an allowed maximum instantaneous withdrawal of 3,680 gallons per minute. Redmond's water transmission and distribution system includes approximately 324 miles of pipe 4 inch and larger. Redmond has 24 pressure zones, seven reservoirs totaling 22.8 million gallons, three additional shared reservoirs totaling 9.2 million gallons, five booster pump stations, four additional shared booster pump stations, 67 pressure reducing stations, and five wells providing a combined capacity of 3,530 gallons per minute. Redmond's water storage facilities are covered, ground level reservoirs or standpipes.

Redmond receives approximately 60 percent of its water from Cascade and 40 percent from its own wells. In 2019, Redmond sold approximately 2.3 billion gallons of water to approximately 16,949 accounts. The largest customer represented approximately 7.8 percent of total water revenue and the top ten accounts represented approximately 17.17 percent of the total water revenue. Redmond's service area includes an area outside of the city limits, in unincorporated King County, known as Novelty Hill.

Total operating revenues include water and sewer sales, King County sewage treatment fees, water and sewer engineering fees, hydrant fees, and regional capital facility charges. In 2019, 46.1 percent of total operating revenues were directly attributable to water.

Outstanding Debt

Redmond operates two water/wastewater utilities—one within the city (the "city system") and one for the Novelty Hill service area. Redmond maintains separate fund accounting for the two systems (the "Redmond City Water/Wastewater Fund" and the "Novelty Hill Water/Wastewater Fund," respectively). Both of these utilities' operations are self-supported through user charges. Only the revenues of the water systems (and not wastewater systems) are obligated under the Joint Agreement. As of December 31, 2019, Redmond had \$18.7 million in city system revenue bonds outstanding. The bond ordinance for the city system revenue bonds currently has a debt service coverage requirement of 120 percent. Redmond combines its utilities (water, wastewater, and stormwater) for the purposes of bond issuance, so water revenues are included in debt service coverage calculations.

Debt Repayment Record

Historically, Redmond has promptly met all principal and interest payments of its bonds when due, and has never defaulted on a payment of principal or interest on any of its bonds. Redmond has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following tables set forth historical operating results for Redmond's City Water/Wastewater Fund and Novelty Hill Water/Wastewater Fund. In fiscal year 2019, water sales accounted for approximately 32.7 percent of the total revenues of the combined water/wastewater systems. Only the revenue from the water systems is obligated under the Joint Agreement.

Summary Statements of Revenues, Expenses, and Changes in Net Position

City Water/Wastewater Fund Fiscal Years Ended December 31 (\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Charges for services	\$22,077	\$ 22,034	\$ 22,653	\$ 21,524	\$ 21,522
Metro service	14,954	15,038	15,909	14,141	14,115
Total Operating Revenues	37,031	37,072	38,562	35,666	35,637
Operating Expenses					
Administrative and general	3,424	3,576	3,350	3,074	2,778
Purchased water	5,005	8,194	6,017	7,509	6,769
Metro service	15,397	14,991	14,938	13,978	13,557
Maintenance and operations	4,690	4,689	4,425	4,925	4,794
Taxes	797	846	757	742	750
Depreciation and amortization	3,973	4,218	4,082	3,999	3,945
Total Operating Expenses	33,285	36,514	33,569	34,227	32,592
Operating Income (Loss)	3,746	578	4,993	1,439	3,045
Nonoperating Revenues (Expenses)					
Interest and investment revenue	826	677	402	305	254
Net change in fair value of investments	316	124	(108)	(54)	(86)
Grant income	106	93	91	71	52
Interest expense	(126)	(109)	(286)	(323)	(353)
Gain (Loss) on disposal of capital assets	208	1,210	(220)	–	–
Lease and other revenue	187	381	105	97	164
Total Nonoperating Revenues (Expenses)	1,642	2,376	(17)	96	31
Income Before Contributions & Transfers	5,388	2,934	4,976	1,535	3,076
Capital contributions	3,344	7,439	2,338	5,775	4,908
Transfers in	0	–	–	–	318
Transfers out	0	(92)	(91)	–	–
Change in net position	8,732	10,280	7,223	7,310	8,302
Total Net Assets – Beginning	197,392	187,111	179,888	172,577	167,151
Changes in Accounting Principles	0	–	–	–	(2,876)
Total Net Assets – Ending	\$206,124	\$197,392	\$187,111	\$179,888	\$172,577

Note: Totals may not foot due to rounding.

Source: City of Redmond unaudited financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Novelty Hill Water/Wastewater Fund

For the Year Ended December 31
(\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Charges for services	\$5,213	\$ 5,874	\$ 5,138	\$ 4,420	\$ 4,922
Metro service	2,192	2,154	2,126	2,007	2,025
Total Operating Revenues	7,404	8,028	7,264	6,428	6,947
Operating Expenses					
Administrative and general	742	557	527	371	351
Purchased water	1,304	1,731	1,238	1,104	1,207
Metro service	2,173	2,129	2,140	2,007	1,994
Maintenance and operations	1,177	1,030	1,014	881	827
Taxes	186	187	173	153	164
Depreciation and amortization	1,388	1,384	1,382	1,372	1,358
Total Operating Expenses	6,970	7,018	6,474	5,887	5,900
Operating Income (Loss)	434	1,009	790	540	1,046
Nonoperating Revenues (Expenses)					
Interest and investment revenue	515	370	238	172	146
Net change in fair value of investments	192	71	(68)	(30)	(48)
Lease and other revenue	95	80	83	79	73
Total nonoperating Revenues (Expenses)	801	520	253	221	171
Income Before Contributions & Transfers	1,235	1,530	1,043	761	1,218
Capital contributions	204	121	55	672	1,074
Transfers in	,	-	-	-	-
Transfers out	,	(23)	(23)	-	-
Change in net position	1,439	1,628	1,076	1,434	2,292
Total Net Position – Beginning	86,032	84,404	83,328	81,894	79,604
Changes in Accounting Principles	0	-	-	-	(1)
Total Net Position – Ending	\$87,471	\$86,032	\$84,404	\$83,328	\$81,894

Note: Totals may not add due to rounding.

Source: City of Redmond unaudited financial statements.

Sammamish Plateau Water and Sewer District

Payments to Cascade

Sammamish Plateau Water and Sewer District's ("Sammamish") budgeted payments to Cascade for 2020 total \$3,183,857, as follows:

Administration Dues	\$ 474,619
Demand Share Charges	1,137,858
RCFC	1,453,540
Conservation	117,840
Total	\$3,183,857

Note: Totals may not foot due to rounding.

Sammamish

Sammamish is located in the central portion of King County, approximately 15 miles east of Seattle. Sammamish encompasses an area of approximately 30 square miles, with boundaries that include the City of Sammamish, portions of the cities of Issaquah and Redmond, and portions of unincorporated King County. Sammamish serves an approximate population of 63,470 as of April 1, 2018, as estimated by Sammamish based on the number of equivalent residential units and average household size in the district.

Sammamish was formed in 1948, and has grown through mergers with two neighboring water districts. Sammamish operates its facilities with 59 full-time employees and is managed by a board of commissioners (the "board") comprising five elected officials who serve staggered six-year terms. The board serves as the governing body of Sammamish and has authority to set rates and charges.

The Water System

Sammamish's water system consists of 303 miles of water mains. Sammamish has 12 wells with a total water capacity of 15.3 million gallons per day and pump capacity of 10,603 gallons per minute. Sammamish has eight water storage reservoirs with a combined storage capacity of 23 million gallons. In addition, Sammamish has intertie agreements with the Northeast Sammamish Sewer and Water District, the City of Issaquah, Union Hill Water Association, Overdale Water Association, and Ames Lake Water Association. All of the intertie agreements except the Northeast Sammamish Sewer and Water District are for emergency use. The Northeast Sammamish Sewer and Water District intertie allows water to flow through a jointly owned tank to and from the Northeast Sammamish service area.

In 2019, Sammamish sold approximately 15,441 million gallons of water to approximately 19,226 accounts. The largest customer represented approximately 1.7 percent of total water revenue and the top ten customers represented approximately 9.5 percent of total water revenue.

Outstanding Debt

Sammamish has a combined utility system for purposes of financing, which includes a water system and a sewer system. Only the revenues of the water utility are obligated under the Joint Agreement. The revenues of the sewer division are not obligated under the Joint Agreement. As of December 31, 2019, the system had \$2,635,000 of outstanding water and sewer revenue bonds and \$1,312,331 of loans from the State's Public Works Trust Fund. The bond resolution currently has a debt service coverage requirement of 125 percent. Sammamish does not anticipate incurring additional debt in the next 12 months.

Debt Repayment Record

Sammamish has promptly met all principal and interest payments of its bonds when due, and has never defaulted on a payment of principal or interest on any of its bonds. Sammamish has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following table sets forth historical operating results for Sammamish's combined water and sewer system. In 2019, water sales provided approximately 44 percent of the total revenues of the combined water and sewer system. Only the revenues of the water utility are obligated under the Joint Agreement.

Summary Statements of Revenues, Expenses and Changes in Net Position for the Water and Sewer System Fiscal Years Ending December 31 (\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Water service	\$ 15,977	\$ 16,046	\$ 15,276	\$ 13,531	\$ 13,803
Sewer service	16,346	15,423	14,812	13,645	13,054
Street lights	171	152	192	169	169
Sewer inspections	114	113	140	103	64
Developer Fees	753	823	872	873	727
Miscellaneous revenue	556	487	488	447	474
Total Operating Revenues	33,917	33,074	31,780	28,767	28,291
Operating Expenses					
Salaries and wages	5,249	5,039	4,806	4,446	4,208
Payroll taxes and pensions	524	525	707	667	470
Employee benefits	1,247	1,118	1,147	1,235	1,007
Other Personnel Costs	122	96	117	167	109
Sewage treatment	8,391	8,019	7,805	7,143	6,962
Repairs and maintenance of system	2,378	915	1,041	1,059	1,103
Chemicals	154	154	126	118	131
Water Purchases	1,127	1,009	975	958	958
Professional services	767	490	542	288	331
Business taxes	861	921	848	786	749
Dues and Memberships	496	488	478	451	428
Office administration	564	488	503	569	560
Insurance	281	270	252	241	224
Miscellaneous	49	14	45	7	13
Utilities	785	786	794	744	767
Street Lights	111	112	116	124	102
Water conservation dues	116	109	109	115	115
Depreciation	4,356	4,309	4,274	3,958	3,772
Total Operating Expenses	27,578	24,863	24,683	23,076	22,006
Operating Income (Loss)	6,339	8,211	7,097	5,691	6,285
Nonoperating Revenues (Expenses)					
Investment income, net of service fees	2,743	1,469	576	461	279
Assessment income	48	56	287	81	97
Rental income	107	135	126	76	173
Miscellaneous revenue	159	153	144	227	234
Net gain (loss) on disposition of assets	(330)	19	12	1,133	(351)
Interest and amortization on long-term debt	(186)	(236)	(139)	(222)	(350)
Interlocal settlement	-	-	-	-	(980)
Total Nonoperating Revenues (Expenses)	2,541	1,597	1,007	1,756	(897)
Income Before Capital Contributions	8,880	9,808	8,105	7,447	5,388
Capital Contributions	13,276	11,090	15,491	13,250	10,332
Change in Net Position	22,156	20,898	23,595	20,696	15,720
Net Position – Beginning	282,886	261,989	238,393	217,697	201,976
Net Position – Ending	\$305,041	\$282,886	\$261,989	\$238,393	\$217,697

Source: Sammamish Plateau Water and Sewer District.

Skyway Water and Sewer District

Payments to Cascade

Skyway Water and Sewer District's ("Skyway") budgeted payments to Cascade for 2020 total \$526,275 as follows:

Administration Dues	\$ 75,729
Demand Share Charges	398,709
RCFC	33,035
Conservation	18,802
Total	\$526,275

Note: Totals may not add due to rounding.

Skyway

Skyway is located in unincorporated King County, southwest of Lake Washington. Skyway encompasses an area of approximately three square miles, bordering the cities of Renton, Seattle, and Tukwila. Skyway has an approximate population of 11,128 as of January 1, 2020, as estimated by Skyway.

Skyway was formed by merger in 1982, and has grown through additional mergers with several water and sewer utilities within its service area boundaries. Skyway is managed by a board of commissioners (the "board") comprising three elected officials who serve staggered six-year terms. The board serves as the governing body of Skyway and has authority to set rates and charges.

The Water System

Skyway's water system includes six water storage reservoirs that provide standby, operating, fire protection, and equalizing storage. Pumping stations are used to deliver water to customers at higher elevations. Skyway maintains water treatment facilities to treat water used from groundwater wells.

Skyway purchases water through Cascade from Seattle Public Utilities and from the City of Renton, and produces water from its own wells. In 2019, the water utility sold approximately 190 million gallons of water to approximately 3,393 accounts, most of which are residential. In 2019, the largest customer of the water utility represented 1.0 percent of the total operating revenues of the combined water and sewer utility, and the top ten customers represented approximately 4.8 percent of the total operating revenue.

Outstanding Debt

Skyway has a combined water and sewer utility for purposes of financing, which includes a water department and a sewer department. Only the revenues of the water system are obligated under the Joint Agreement. The revenues of the sewer system are not obligated under the Joint Agreement. As of December 31, 2019, the combined system had \$3,239,231 of outstanding water and sewer revenue bonds, and \$3,955,434 of loans from the State's Public Works Trust Fund. The bond resolution for the outstanding utility has a debt service coverage requirement of 125 percent.

Debt Repayment Record

Skyway has promptly met all principal and interest payments of its bonds when due, and has never defaulted on a payment of principal or interest on any of its bonds. Skyway has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following table sets forth historical operating results for Skyway's combined water and sewer systems. Only the revenues from the water system are obligated under the Joint Agreement. In 2019, water service revenues were 28.1 percent of total operating revenues.

Summary Statements of Revenues, Expenses, and Changes in Net Position

Fiscal Years Ending December 31

(\$000s)

	2019	2018	2017	2016	2015
Operating Revenues					
Water Service	\$ 2,523	\$ 2,444	\$ 2,310	\$ 2,173	\$ 2,152
Sewer Service	6,268	5,884	5,528	5,012	4,935
Late Penalty Charges	135	131	127	118	124
Turn on/turn off charges and fees	19	18	16	15	18
Miscellaneous Account Fees	5	5	6	6	6
Availability Certificates, Permits & Misc. Fees	19	14	19	14	13
Interest on Liens	1	1	1	1	2
Total Operating Revenues	8,971	8,497	8,005	7,338	7,251
Operating Expenses					
Maintenance & Operations	4,324	4,206	4,125	3,918	3,871
Administrative & General	1,359	1,325	1,236	1,181	1,141
Depreciation & Amortization	1,117	1,099	1,075	1,064	1,068
Total Operating Expenses	6,800	6,630	6,436	6,163	6,079
Operating Income	2,172	1,867	1,569	1,175	1,171
Non-Operating Revenues (Expenses)					
Interest on Investments	394	182	74	57	37
Gain (Loss) on Disposal of Assets	–	7	–	–	–
Investment Service Fees	(1)	(1)	(1)	(1)	(1)
Interest Expense	(152)	(162)	(174)	(188)	(199)
Tower Rental	109	95	97	84	111
Bond Fund Service Fees	(1)	–	(1)	(2)	–
Total Non-Operating Revenue	348	121	(5)	(50)	(52)
Income Before Capital Contributions	2,520	1,988	1,564	1,125	1,119
Capital Contributions	592	123	984	105	268
Change in Net Position	3,112	2,111	2,547	1,231	1,386
Total Net Position – Beginning	37,425	35,791	33,244	32,095	31,368
Change in Accounting Principle	–	(478)	–	(82)	(659)
Total Net Position – Ending	\$40,537	\$37,425	\$35,791	\$33,244	\$32,095

Note: Totals may not add due to rounding.

Source: Skyway Water & Sewer District.

City of Tukwila

Payments to Cascade

The City of Tukwila's ("Tukwila") budgeted payments to Cascade for 2020 total \$2,852,155, as follows:

Administration Dues	\$ 163,957
Demand Share Charges	2,548,385
RCFC	99,105
Conservation	40,708
Total	\$2,852,155

Note: Totals may not foot due to rounding.

Tukwila

Tukwila is located in the western portion of King County, just south of Seattle. Tukwila was incorporated as a city in 1908 and encompasses approximately 9.7 square miles. Tukwila has an estimated population of 21,360, as of April 1, 2020, according to the State's Office of Financial Management. Tukwila is organized as a code city, governed by a mayor-council form of government, with a seven-member elected council. Tukwila's city council members are elected to overlapping four-year terms. The mayor is elected to serve in a full-time capacity, for a four year term. A city administrator and other officers and department directors are appointed by the mayor with approval of the council members. The city council has authority to set rates and charges for water service.

Tukwila's Water Utility

Tukwila is actively using reclaimed water for non-potable uses such as irrigation from a separate system supplied by King County Department of Natural Resources. Tukwila's water transmission and distribution system supplies customers with approximately 618 million gallons of water annually through 49 miles of water mains and 2,266 meters. Tukwila has a two million gallon covered pre-stressed concrete reservoir and booster pump station. Tukwila has several emergency interties with adjoining jurisdictions, cities, and water districts.

Nearly all the water that Tukwila receives is purchased through Cascade. In 2019, the largest account represented 9.6 percent of total water consumption and the top ten accounts represented approximately 31.6 percent of the total water consumption.

Outstanding Debt

Tukwila has a combined waterworks utility for purposes of financing, which includes water and sewer utilities. Only the revenues of the water utility are obligated under the Joint Agreement. The revenues of the sewer utility are not obligated under the Joint Agreement. As of December 31, 2019, the combined utility had \$1,015,544 of outstanding water and sewer revenue bonds and \$1,928,615 of loans from the State's Public Works Trust Fund. The bond ordinance for the water utility currently has a debt service coverage requirement of 125 percent. City of Tukwila may issue some utility bonds in 2021 or in 2022 for building the reservoir.

Debt Repayment Record

Tukwila has promptly met all principal and interest payments of its bonds when due and has never defaulted on a payment of principal or interest on any of its bonds. Tukwila has never issued refunding bonds for the purpose of avoiding an impending default.

Historical Operating Results

The following table sets forth historical operating results for Tukwila. Tukwila has combined its water and sewer utilities for purposes of financing. Only the revenues of the water utility are obligated under the Joint Agreement. In 2019, the water utility provided approximately 41 percent of the total operating revenues of the combined system.

Summary Statements of Revenues, Expenses, and Changes in Net Position for the Water Utility

	Fiscal year ended December 31				
	(\$000s)				
	2019	2018	2017	2016	2015
Operating revenues:					
Charges for services	\$6,973	\$6,975	\$6,774	\$6,401	\$6,484
Other operating revenue	1	1	4	–	–
Total operating revenues	6,974	6,976	6,778	6,402	6,484
Operating expenses:					
Operating and maintenance	3,953	3,784	4,316	3,582	3,590
Administrative and general	851	723	725	646	646
Taxes	951	1,007	979	931	933
Depreciation and amortization	526	539	520	527	528
Total operating expenses	6,281	6,054	6,540	5,686	5,697
Operating income (loss)	693	922	239	716	788
Nonoperating revenues (expenses):					
Investment earnings	116	101	63	34	24
Interest expense	11	(13)	(14)	(15)	(38)
Gain (loss) on disposal of capital assets	–	(12)	–	(4)	–
Other nonoperating revenue	940	–	–	–	–
Total nonoperating revenues (expenses)	836	76	49	15	(14)
Income (loss) before contributions & transfers	144	998	288	731	774
Capital contributions	37	109	216	101	1,214
Change in net position	107	1,108	504	832	1,988
Total net position – Beginning	21,469	20,361	19,857	19,025	17,562
Change in accounting principle					(524)
Total net position – Ending	\$21,362	\$21,469	\$20,361	\$19,857	\$19,025

Note: Totals may not add due to rounding.

Source: City of Tukwila.

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APPENDIX B

FORM OF BOND RESOLUTION

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CASCADE WATERALLIANCE
RESOLUTION NO. 2020-15

A RESOLUTION of the Board of Directors of Cascade Water Alliance, Relating to the Water Transmission and Supply System of Cascade Water Alliance; Authorizing the Borrowing of Money and the Issuance and Sale of Water System Refunding Revenue Bonds for the Purposes of Paying Part of the Cost of Refunding All or a Portion of the Outstanding Cascade Water Alliance Water System Revenue Bonds, 2012, to Achieve a Debt Service Savings, Providing for the Reserve Requirement, if any, Allocable to the Bonds, and Paying the Administrative Costs of Such Refunding and the Costs of Issuing and Selling the Bonds; Fixing or Setting Parameters with Respect to Certain Terms and Covenants of the Bonds; Delegating Authority to a Designated Representative to Set Final Terms of the Sale and Issuance of the Bonds; and Providing for Other Matters Properly Related Thereto.

Adopted October 28, 2020

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A RESOLUTION of the Board of Directors of Cascade Water Alliance, Relating to the Water Transmission and Supply System of Cascade Water Alliance; Authorizing the Borrowing of Money and the Issuance and Sale of Water System Refunding Revenue Bonds for the Purposes of Paying Part of the Cost of Refunding All or a Portion of the Outstanding Cascade Water Alliance Water System Revenue Bonds, 2012, to Achieve a Debt Service Savings, Providing for the Reserve Requirement, if any, Allocable to the Bonds, and Paying the Administrative Costs of Such Refunding and the Costs of Issuing and Selling the Bonds; Fixing or Setting Parameters with Respect to Certain Terms and Covenants of the Bonds; Delegating Authority to a Designated Representative to Set Final Terms of the Sale and Issuance of the Bonds; and Providing for Other Matters Properly Related Thereto.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CASCADE WATER ALLIANCE AS FOLLOWS:

Section 1. Definitions. As used in this resolution and for the purposes of this resolution the following words shall have the following meanings:

(a) **"Accreted Value"** means, with respect to any Capital Appreciation Bond, as of the date of calculation, the sum of the initial principal amount of that Capital Appreciation Bond plus the interest accumulated, compounded, and unpaid thereon.

(b) **"Acquired Obligations"** means any obligations purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution and in accordance with the 2012 Bond Resolution.

(c) **"Annual Debt Service"** means, with respect to any Parity Bonds outstanding as of the date of calculation, for any fiscal year (or other designated twelve-month period), all amounts required to be paid in that fiscal year (or other designated twelve-month period) in respect of Principal of and interest on those Parity Bonds, subject to the following:

(1) the interest rate on Variable Interest Rate Bonds shall be assumed to be equal to the average SIFMA Municipal Swap Index during the fiscal quarter preceding the quarter in which the calculation is made;

(2) notwithstanding clause (1) of this definition, if a Payment Agreement is in effect with respect to any Variable Interest Rate Bonds pursuant to which Cascade receives payments based on a variable rate in exchange for making payments based on a fixed rate, the interest rate on those Variable Interest Rate Bonds during the period that Payment Agreement is scheduled to be in effect shall be assumed to be the fixed rate specified in that Payment Agreement;

(3) if a Payment Agreement is in effect with respect to any Parity Bonds pursuant to which Cascade receives payments based on a fixed rate in exchange for making payments based on a variable rate, the interest rate on those Parity Bonds during the period that Payment Agreement is scheduled to be in effect shall be assumed to be the sum of (a) the interest rate on those Parity Bonds determined as if those Parity Bonds were Variable Interest Rate Bonds, plus (b) the positive difference, if any, between the fixed rate payable on those Parity Bonds and the fixed rate Cascade receives pursuant to that Payment Agreement;

(4) notwithstanding clause (1) of this definition, the interest rate on Paired Bonds shall be assumed to be the aggregate fixed rate to be paid by Cascade with respect to those Paired Bonds; and

(5) the outstanding Principal of any Balloon Bonds shall be assumed to become due and payable in equal installments in each fiscal year from the date of calculation to the final scheduled maturity of those Balloon Bonds.

(d) **"Authorized Denomination"** means \$5,000 or any integral multiple thereof within a maturity of a series of the 2020 Bonds.

(e) **"Average Annual Debt Service"** means, with respect to any Parity Bonds outstanding as of the date of calculation, the sum of the Annual Debt Service on those Parity Bonds for each fiscal year during which those Parity Bonds are scheduled to remain outstanding, divided by the number of those fiscal years.

(f) **"Balloon Bonds"** means a series or subseries of Parity Bonds designated as such in the applicable Parity Bond Authorizing Resolution, the aggregate Principal of which becomes due and payable, either at maturity or by mandatory redemption, in any fiscal year in an amount that constitutes 25% or more of the initial aggregate Principal of that series or subseries of Parity Bonds.

(g) **"Board"** means the Board of Directors of Cascade.

(h) **"Bond Fund"** means the Water System Revenue Bond Fund created pursuant to Resolution No. 2006-03.

(i) **"Bond Counsel"** means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by Cascade for any purpose under this resolution applicable to the use of that term.

(j) **"Bond Insurance"** means any bond insurance policy guaranteeing the payment when due of all or part of the Principal of and interest on any Parity Bonds.

(k) **"Bond Insurer"** means any provider of Bond Insurance approved by the Board by resolution or resolutions.

(l) **"Bond Owners' Trustee"** has the meaning assigned to that term in Section 24(b).

(m) **"Bond Purchase Contract"** means an offer to purchase the 2020 Bonds, setting forth certain terms and conditions of the issuance, sale, and delivery of the 2020 Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of

Cascade, if consistent with this resolution. In the case of a competitive sale, the official notice of sale, the Purchaser's bid, and the award by Cascade shall constitute the Bond Purchase Contract for purposes of this resolution.

(n) "**Bond Register**" means the books or records maintained by the Registrar on which are recorded the names and addresses of the Registered Owner of each of the 2020 Bonds.

(o) "**Capital Appreciation Bonds**" means any Parity Bonds, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable Parity Bond Authorizing Resolution and is payable only upon redemption or on the maturity date of those Parity Bonds. Parity Bonds that are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a Principal amount equal to their Accreted Value on the conversion date.

(p) "**Cascade**" means Cascade Water Alliance, a Washington joint municipal utility services authority under chapter 39.106 RCW, and its permitted predecessors and successors.

(q) "**Chief Executive Officer**" means the Chief Executive Officer of Cascade or any other officer who succeeds to substantially all of the responsibilities of that office specified in this resolution.

(r) "**Code**" means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(s) "**Common Reserve Account**" means the Reserve Account in the Bond Fund created pursuant to Resolution No. 2006-03 and renamed the Common Reserve Account in Resolution No. 2012-22.

(t) "**Construction Fund**" means the Construction Fund created pursuant to Resolution No. 2006-03.

(u) "**Coverage Requirement**" in any fiscal year (or other designated twelve-month period) means that Net Revenue in that fiscal year (or other designated twelve-month period), minus RCFCs received in that fiscal year (or other designated twelve-month period) plus amounts on deposit in the Debt Service Account on the last business day prior to the commencement of that fiscal year (or other designated twelve-month period), is at least equal to the Annual Debt Service on all outstanding Parity Bonds and the amount, if any, required to be deposited in any reserve account securing Parity Bonds in that fiscal year (or other designated twelve-month period).

(v) "**Debt Service Account**" means the Debt Service Account in the Bond Fund created pursuant to Resolution No. 2006-03.

(w) "**Designated Representative**" means the Chief Executive Officer of Cascade appointed in Section 4 to serve as Cascade's designated representative in accordance with RCW 39.46.040.

(x) "**DTC**" means The Depository Trust Company, New York, New York, or its nominee.

(y) "**Event of Default**" has the meaning assigned to that term in Section 23(a).

(z) "**Final Terms**" means, with respect to the 2020 Bonds, the amount, date or dates, denominations, interest rate or rates, payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds.

(aa) "**Future Parity Bonds**" means all revenue bonds and other obligations of Cascade for borrowed money (including, without limitation, financing leases) issued or incurred after the Issue Date, the payment of which constitutes a lien and charge on the Net Revenue equal in rank with the lien and charge upon the Net Revenue required to be paid into the Bond Fund to pay and secure the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2020 Bonds.

(bb) "**Government Obligations**" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

(cc) "**Gross Revenue**" means all of the earnings and revenues received by Cascade from any source whatsoever including but not limited to: (a) Member Charges; (b) revenues from the sale, lease, or furnishing of other commodities, services, properties, or facilities; (c) the receipt of earnings from the investment of money in any maintenance fund or similar fund; and (d) withdrawals from the Rate Stabilization Fund. However, Gross Revenue shall not include: (a) Principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance, or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (b) income and revenue which may not legally be pledged for revenue bond debt service; (c) improvement district assessments; (d) federal or state grants allocated to capital projects; (e) payments under bond insurance or other credit enhancement policy or device; (f) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (g) earnings in any construction fund or bond redemption fund; (h) deposits to the Rate Stabilization Fund; or (i) any revenues generated by any Member's Water Supply Assets that are not part of the System, except those amounts that are payable to Cascade pursuant to the Joint Agreement or another interlocal agreement.

(dd) "**Independent Consulting Engineer**" means either (1) an independent licensed professional engineer experienced in the design, construction or operation of municipal utilities of comparable size and character to the System or (2) an independent certified public accountant or other professional consultant experienced in the development of rates and charges for municipal utilities of comparable size and character to the System.

(ee) "**Issue Date**" means the date of initial delivery of the 2020 Bonds to the Purchaser.

(ff) "**Joint Agreement**" means the Joint Municipal Utility Services Agreement effective March 28, 2012, by which Cascade converted to a municipal corporation under the Joint Municipal Utilities Services Act, chapter 39.106 RCW, and which replaced the Interlocal

Contract effective April 1, 1999, as amended and restated on December 15, 2004 and on March 28, 2012, as that Joint Municipal Utility Services Agreement may be amended from time to time consistent with Section 23.

(gg) "**Letter of Representations**" means the Blanket Issuer Letter of Representations between Cascade and DTC dated April 26, 2006, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(hh) "**MSRB**" means the Municipal Securities Rulemaking Board.

(ii) "**Maximum Annual Debt Service**" means, with respect to any Parity Bonds outstanding as of the date of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current year or any future year on those Parity Bonds.

(jj) "**Member**" means a member agency of Cascade under the Joint Agreement.

(kk) "**Member Charges**" means all payments that Members are required by the Joint Agreement to make to Cascade, including but not limited to all Rates and Charges, RFCs, dues, assessments, and other payments from Members.

(ll) "**Net Revenue**" for any fiscal year (or other designated twelve-month period) means the Gross Revenue for that fiscal year (or other designated twelve-month period) less Operations and Maintenance Costs for that fiscal year (or other designated twelve-month period). In calculating Net Revenue, Cascade shall not take into account any non-cash gains or losses with respect to any real or personal property, investment, or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses.

(mm) "**Operations and Maintenance Costs**" means all expenses incurred by Cascade to operate and maintain the System in good repair, working order, and condition, including without limitation, payments made to any other public or private entity for water or other utility service. Operations and Maintenance Costs shall not include any depreciation, capital additions, or capital replacements to the System.

(nn) "**Outstanding Parity Bonds**" means any outstanding 2012 Bonds not included in the Refunding Plan, the 2012 Bonds, the 2014 Bonds, and the 2019 Bonds.

(oo) "**Paired Bonds**" means two series of Parity Bonds (1) that are issued simultaneously, (2) that are designated as Paired Bonds in the applicable Parity Bond Authorizing Resolution, (3) equal in Principal amount, (4) that mature and are subject to mandatory redemption on the same date and in the same amount and (5) the interest rates on which, taken together, result in an irrevocable fixed interest rate obligation of Cascade until the maturity or prior redemption thereof.

(pp) "**Parity Bond Authorizing Resolution**" means one or more resolutions of Cascade (including the 2012 Bond Resolution, the 2014 Bond Resolution, the 2019 Bond Resolution, and this resolution) that authorize the issuance and sale and establish the terms of a particular series of Parity Bonds and other matters relating to the same plan of finance.

(qq) "**Parity Bonds**" means the Outstanding Parity Bonds, the 2020 Bonds, and any Future Parity Bonds.

(rr) "**Payment Agreement**" means a written agreement that (1) is entered into by Cascade for the purpose of managing or reducing Cascade's exposure to fluctuations or levels of interest rates for Parity Bonds or for other interest rate, investment, asset or liability management purposes related to Parity Bonds, (2) is entered into on either a current or forward basis with a Qualified Counterparty, (3) is authorized by any applicable laws of the State in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money, or lease, installment purchase or other similar financing agreements or certificates of participation therein, (4) provides for an exchange of payments based on interest rates, ceilings or floors on those payments, options on those payments, or any combination thereof or any similar device and (5) expressly provides that Cascade's obligation to make regularly scheduled payments thereunder constitutes a charge on Net Revenue equal in rank with the charge upon Net Revenue required to be paid into the Bond Fund to pay the Principal of and interest on the Parity Bonds.

(ss) "**Payment Agreement Payments**" means the regularly scheduled amounts (netted, if applicable) required to be paid by Cascade to the Qualified Counterparty pursuant to a Payment Agreement.

(tt) "**Payment Agreement Receipts**" means the regularly scheduled amounts (netted, if applicable) required to be paid by the Qualified Counterparty to Cascade pursuant to a Payment Agreement.

(uu) "**Principal**" means, as of any date of calculation, (1) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on that Capital Appreciation Bond is compounded next preceding that date of calculation (unless that date of calculation is a date on which interest is compounded, in which case, as of that date of calculation), and (2) with respect to any Parity Bond other than a Capital Appreciation Bond, the principal amount thereof.

(vv) "**Purchaser**" means the bank, financial institution, or other entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement, underwriter or placement agent in a negotiated sale, or awarded as the successful bidder in a competitive sale of the 2020 Bonds.

(ww) "**Qualified Counterparty**" means a party (other than Cascade or a party related to Cascade) who is the other party to a Payment Agreement and (1) at the time of execution of the Payment Agreement, (a) whose claims-paying ability is or senior unsecured debt obligations are rated in one of the three highest rating categories of each of at least two Rating Agencies or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by an entity whose claims-paying ability is or senior unsecured debt obligations are rated in one of the three highest rating categories of each of at least two Rating Agencies (in each case, without regard to any gradations within a rating category), and (2) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

(xx) "**Rate Stabilization Fund**" means the Rate Stabilization Fund created pursuant to Resolution No. 2006-03.

(yy) "**Rates and Charges**" means the rates and charges (not including RCFCs) chargeable to each Member under the Joint Agreement plus any late payment or other charge that may be due.

(zz) "**Rating Agencies**" means any nationally-recognized securities rating agency or agencies rating any of the Parity Bonds at the request of Cascade.

(aaa) "**RCFC Fund**" means the RCFC Fund created pursuant to Resolution No. 2006-03.

(bbb) "**RCFCs**" means the regional capital facilities charges to each Member for new equivalent residential units connected to that Member's water distribution system, as calculated consistently with the Joint Agreement.

(ccc) "**RCW**" means the Revised Code of Washington.

(ddd) "**Record Date**" means the Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a 2020 Bond prior to its maturity, Record Date means the Registrar's close of business on the date on which the Registrar sends the notice of redemption in accordance with Section 8.

(eee) "**Redemption Date**" means the date fixed by the Designated Representative for redemption of the Refunded Bonds.

(fff) "**Refunded Bonds**" means those Refunding Candidates selected by the Designated Representative and identified in a Refunding Plan to be refunded with the proceeds of the 2020 Bonds.

(ggg) "**Refunding Candidates**" means the outstanding 2012 Bonds maturing or subject to mandatory redemption on January 1 in the years 2024 through 2038, inclusive.

(hhh) "**Refunding Plan**" means (as further described in the Refunding Trust Agreement):

(1) the deposit with the Refunding Trustee of proceeds of the 2020 Bonds (together with other money of Cascade, if necessary);

(2) if so provided in the Refunding Trust Agreement, the purchase by the Refunding Trustee of the Acquired Obligations;

(3) the application of the principal of and interest on the Acquired Obligations, if any, and any other cash balance to the call, payment, and redemption of the Refunded Bonds on the Redemption Date at a price of the principal amount being redeemed plus any accrued interest; and

(4) the payment of the costs of issuing the 2020 Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

(iii) "**Refunding Trust Agreement**" means a refunding trust or escrow agreement between Cascade and the Refunding Trustee, dated the Issue Date, providing for the carrying out of the Refunding Plan.

(jjj) "**Refunding Trustee**" means U.S. Bank National Association of Seattle, Washington, serving as refunding trustee or escrow agent, or any successor trustee or escrow agent.

(kkk) "**Registered Owner**" means a person shown on the Bond Register (or the bond register provided for in any Parity Bond Authorizing Resolution) as the owner of a Parity Bond.

(lll) "**Registrar**" means the fiscal agent of the State of Washington (as the same may be designated by the State from time to time).

(mmm) "**Reserve Account**" means any reserve account securing Parity Bonds into which deposits are required to be made pursuant to a Parity Bond Authorizing Resolution, including the Common Reserve Account and any separate 2020 Reserve Account.

(nnn) "**Reserve Insurance**" means any bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement device obtained by Cascade equal to part or all of the Reserve Requirement that is issued by an institution which has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of each of at least two Rating Agencies (without regard to any gradations within a rating category) and is not cancelable on less than three years' notice.

(ooo) "**Reserve Requirement**" means, as of any date of calculation, (1) with respect to Parity Bonds secured by the Common Reserve Account, the lesser of Maximum Annual Debt Service on outstanding Parity Bonds secured by the Common Reserve Account or 125% of Average Annual Debt Service on outstanding Parity Bonds secured by the Common Reserve Account, but at no time shall the Reserve Requirement for Parity Bonds secured by the Common Reserve Account exceed 10% of the original proceeds of the Parity Bonds secured by the Common Reserve Account, and (2) with respect to the 2020 Bonds, the amount specified as such in the Bond Purchase Contract.

(ppp) "**Rule 15c2-12**" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as such rule may be amended from time to time.

(qqq) "**SEC**" means the United States Securities and Exchange Commission.

(rrr) "**Securities Depository**" means DTC, any successor thereto, any substitute securities depository selected by the Cascade that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(sss) "**SIFMA Municipal Swap Index**" means the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association, or the successor to that index.

(ttt) "**State**" means the State of Washington.

(uuu) "**State Auditor**" means the office of the State Auditor of the State or such other department or office of the State authorized and directed by State law to make audits.

(vvv) "**System**" means the water transmission and supply system of Cascade as it now exists, including Water Supply Assets owned or controlled by Cascade, and all additions thereto and betterments and extensions thereof at any time made, together with any utility systems of Cascade hereafter combined with the System. The System shall not include any water transmission and supply or other utility system service or other facilities that may be created, acquired or constructed by Cascade as a separate utility system as provided in Section 18.

(www) "**System of Registration**" means the system of registration for Cascade's bonds and other obligations set forth in Resolution No. 2006-04.

(xxx) "**Tax-Exempt Bonds**" means Parity Bonds of any series on which the interest is intended on the Issue Date to be excluded from gross income for federal income tax purposes.

(yyy) "**Term Bonds**" means Parity Bonds that are subject to scheduled mandatory redemption prior to their scheduled maturity date or dates.

(zzz) "**Treasurer**" means the treasurer of Cascade appointed pursuant to the Bylaws of Cascade and other persons or entities carrying out treasury operations under the direction of that treasurer.

(aaaa) "**2012 Bond Resolution**" means Resolution No. 2012-22, as the same may be amended or supplemented in accordance therewith.

(bbbb) "**2012 Bonds**" means the Cascade Water Alliance Water System Revenue Bonds, 2012.

(cccc) "**2014 Bond Resolution**" means Resolution No. 2014-07, as the same may be amended or supplemented in accordance therewith.

(dddd) "**2014 Bonds**" means the Cascade Water Alliance Water System Refunding Revenue Bonds, 2014.

(eeee) "**2019 Bond Resolution**" means Resolution No. 2019-07, as the same may be amended or supplemented in accordance therewith, including as amended and restated by Resolution No. 2019-09.

(ffff) "**2019 Bonds**" means the Cascade Water Alliance Water System Improvement and Refunding Revenue Bonds, 2019.

(gggg) "**2020 Bond**" means each bond issued pursuant to, under the authority of, and for the purposes provided in this resolution.

(hhhh) "**2020 Reserve Account**" means the Reserve Account in the Bond Fund, if any, specified as such in the Bond Purchase Contract.

(iii) "**Undertaking**" means Cascade's undertaking pursuant to Section 19 to provide annual financial information and notice of listed events.

(jjjj) "**Variable Interest Rate Bonds**" means, for any period of time, any Parity Bonds that bear interest at a rate that is not fixed and is not specified in the applicable Parity Bond Authorizing Resolution.

(kkkk) "**Water Supply Assets**" means tangible and intangible assets usable in connection with the provision of water supply, including without limitation, real property, physical facilities (e.g., dams, wells, treatment plants, pump stations, reservoirs, and transmission lines), water rights, capacity and/or contractual rights in facilities or resources owned by other entities, and investments in conservation programs and facilities.

Section 2. Findings and Determinations. The Board hereby makes the following findings and determinations.

(a) Cascade is a Washington joint municipal utility services authority under chapter 39.106 RCW organized for the purpose of meeting the water supply demands of its Members.

(b) Pursuant to the Joint Agreement and the provisions of chapter 39.106 RCW, Cascade is authorized to issue revenue bonds.

(c) Cascade desires to issue water system refunding revenue bonds for the purpose of providing part of the money required to carry out the Refunding Plan and to provide for any Reserve Requirement allocable to the 2020 Bonds.

(d) RCW 39.46.040 provides that a resolution authorizing the issuance of bonds may authorize an officer of Cascade to serve as the Cascade's designated representative and to accept, on behalf of Cascade, an offer to purchase the bonds so long as the acceptance of such offer is consistent with terms established by a resolution that establishes the following terms for the bonds (or parameters with respect thereto): the amount, date, denominations, interest rates (or mechanism for determining interest rates), payment dates, final maturity, redemption rights, price, minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes), and any other terms or conditions deemed appropriate by the Board.

(e) In fixing the amounts to be paid into the Bond Fund, the Board has exercised due regard for Operations and Maintenance Costs, and has not obligated Cascade to set aside and to pay into the Bond Fund a greater amount or proportion of the Gross Revenue than in the judgment of the Board will be available over and above the Operations and Maintenance Costs and the amount of Gross Revenue previously pledged.

Section 3. Authorization of 2020 Bonds. For the purpose of providing part of the money required to carry out the Refunding Plan and to provide for any Reserve Requirement allocable to the 2020 Bonds, Cascade is authorized to issue and sell the 2020 Bonds, in one or more series, subject to the terms and conditions described in this resolution.

Section 4. Appointment of Designated Representative: Description of 2020 Bonds. The Chief Executive Officer is appointed as the Designated Representative and is authorized to conduct the sale of the 2020 Bonds in the manner and upon the terms deemed most advantageous to Cascade, as further specified in Section 24, and to approve the Final Terms within the parameters established in this Section. The Final Terms shall be evidenced in

the Bond Purchase Contract or by a Certificate of Designated Representative executed on the date of sale of the 2020 Bonds to the Purchaser.

(a) Amount. The aggregate Principal amount of the 2020 Bonds shall not exceed \$31,000,000.

(b) Date. The 2020 Bonds shall be dated the Issue Date, which date may not be later than one year after the date of adoption of this resolution.

(c) Denominations and Designation. The 2020 Bonds shall be designated "Cascade Water Alliance Water System Refunding Revenue Bonds, 2020," with such other designation as may be established by the Designated Representative; shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification; and shall be issued in Authorized Denominations.

(d) Interest Rates. The 2020 Bonds shall bear interest at fixed rates per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the 2020 Bonds. No rate of interest for any maturity may exceed 5.00%, and the true interest cost to Cascade for the 2020 Bonds may not exceed 3.50%.

(e) Payment Dates. Interest must be payable at fixed rates semiannually, commencing no earlier than March 1, 2021. Principal must be payable annually, commencing no earlier than September 1, 2021.

(f) Final Maturity. The 2020 Bonds shall mature no later than the final maturity date of the Refunded Bonds.

(g) Redemption Rights. The 2020 Bonds may be issued subject to optional redemption and, in the case of any 2020 Bonds designated as Term Bonds, mandatory redemption, as set forth in Section 7.

(h) Price. The purchase price for the 2020 Bonds may not be less than 98% or more than 105% of the aggregate principal amount of the 2020 Bonds.

(i) Tax Status. The 2020 Bonds shall not be issued as Tax-Exempt Bonds.

(j) Parity Conditions. The 2020 Bonds may not be issued unless, as of the Issue Date, the Designated Representative certifies that the amounts required to have been paid into the Bond Fund for the Outstanding Parity Bonds have been paid and maintained as required and that all other conditions for the issuance of the 2020 Bonds as Future Parity Bonds (within the meaning of the Parity Bond Authorizing Resolutions that authorized the issuance of the Outstanding Parity Bonds) will have been satisfied before the 2020 Bonds are delivered to the Purchaser.

(k) Sufficiency of Gross Revenue. The Gross Revenue and benefits to be derived from the operation and maintenance of the System, taking into account the Member Charges to be imposed from time to time for water and other services and commodities from the System consistent with Section 15(b), will be sufficient to meet all Operations and Maintenance Costs and to permit the setting aside into the Bond Fund out of the Gross Revenue of amounts

sufficient to pay the Principal of and premium, if any, and interest on the Outstanding Parity Bonds and to make any payments required to be made into the Reserve Accounts under this resolution.

(l) Refunding Conditions. The 2020 Bonds shall produce a minimum net present value savings to Cascade and its ratepayers of at least 5.00% (as a percentage of the aggregate principal amount of the Refunded Bonds). Net present value savings means the aggregate difference between (1) Annual Debt Service on the Refunded Bonds, less (2) Annual Debt Service on the 2020 Bonds (including expenses related to costs of issuance of the 2020 Bonds) discounted to the Issue Date using the yield on 2020 Bonds as the discount rate, plus (3) excess cash, if any, distributed to Cascade on the Issue Date, and less (4) the amount of additional money of Cascade contributed to the refunding, if any, on the Issue Date.

Section 5. Registration and Transfer of 2020 Bonds. Each 2020 Bond shall be issued only in registered form as to both Principal and interest and the ownership of each 2020 Bond shall be recorded on the Bond Register.

Unless otherwise provided in the Bond Purchase Contract, the Fiscal Agent is appointed as initial Registrar. The Registrar shall keep, or cause to be kept, the Bond Register, which shall be open to inspection by Cascade at all times. The Registrar is authorized, on behalf of Cascade, to authenticate and deliver 2020 Bonds transferred or exchanged in accordance with the provisions of the 2020 Bonds and this resolution, to serve as Cascade's paying agent for the 2020 Bonds, and to carry out all of the Registrar's powers and duties under this resolution and the System of Registration. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on each 2020 Bond. The Registrar may become a Registered Owner with the same rights it would have if it were not the Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners.

The Bond Register shall contain the name and mailing address of each Registered Owner and the Principal amount and number of each 2020 Bond held by each Registered Owner. A 2020 Bond surrendered to the Registrar may be exchanged for a 2020 Bond or 2020 Bonds in any Authorized Denomination of an equal aggregate Principal amount and of the same series, maturity, and interest rate. A 2020 Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Registrar. Any exchange or transfer shall be without cost to the Registered Owner or transferee. The Registrar shall not be obligated to exchange any 2020 Bond or transfer registered ownership during the period between the applicable Record Date and the redemption date.

If a 2020 Bond is to be issued in book-entry only form, DTC is appointed as initial Securities Depository and each such 2020 Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each 2020 Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any 2020 Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by Cascade; or (iii) to any person if the 2020 Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by Cascade, Cascade may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and Cascade does not appoint a substitute Securities

Depository, or (ii) Cascade terminates the services of the Securities Depository, the 2020 Bonds no longer shall be held in book-entry only form and the registered ownership of each 2020 Bond may be transferred to any person as provided in this resolution.

Neither Cascade nor the Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither Cascade nor the Registrar shall be responsible for any notice that is permitted or required to be given to the Registered Owner of a 2020 Bond registered in the name of the Securities Depository except such notice as is required to be given by the Registrar to the Securities Depository.

Section 6. Payment of 2020 Bond Principal, Premium, and Interest. Principal of and interest on each 2020 Bond shall be payable in lawful money of the United States of America. Principal of and interest on each 2020 Bond registered in the name of the Securities Depository are payable in the manner set forth in the Letter of Representations. Interest on each 2020 Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. Cascade is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each 2020 Bond not registered in the name of the Securities Depository is payable at final maturity or upon prior redemption in whole only upon presentation and surrender of the 2020 Bond by the Registered Owner to the Registrar.

Section 7. Redemption Provisions and Purchase of 2020 Bonds.

(a) Optional Redemption. The Designated Representative may designate certain maturities of the 2020 Bonds as being subject to redemption at the option of Cascade prior to their respective stated maturities on the dates and at the prices set forth in the Bond Purchase Contract. The Designated Representative may also, in his or her discretion, designate certain maturities of the 2020 Bonds as not being subject to optional redemption prior to maturity.

(b) Mandatory Redemption. The Designated Representative may approve the designation of certain maturities of 2020 Bonds as Term Bonds, as set forth in the Bond Purchase Contract. Cascade shall redeem Term Bonds, if not previously redeemed under the optional redemption provisions set forth above or purchased and surrendered for cancellation or defeased under the provisions set forth below, at a price of par plus accrued interest on the annual redemption dates and in the annual redemption amounts approved by the Designated Representative. If Cascade redeems under the optional redemption provisions, purchases for cancellation, or defeases Term Bonds, the Principal amount of the Term Bonds so redeemed, purchased, or defeased (irrespective of their actual redemption or purchase prices) may be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The Chief Executive Officer shall determine the manner in which the credit is to be allocated and shall notify the Registrar in writing of that allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

(c) Selection of 2020 Bonds for Redemption; Partial Redemption. If fewer than all of the outstanding 2020 Bonds are to be redeemed at the option of Cascade, Cascade shall select the series and maturities to be redeemed. If fewer than all of the outstanding 2020

Bonds of a maturity of a series are to be redeemed, the Securities Depository shall select 2020 Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Registrar shall select all other 2020 Bonds to be redeemed randomly in such manner as the Registrar shall determine. All or a portion of the Principal amount of any 2020 Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding Principal amount of any 2020 Bond is redeemed, upon surrender of that 2020 Bond to the Registrar, there shall be issued to the Registered Owner, without charge, a new 2020 Bond (or 2020 Bonds, at the option of the Registered Owner) of the same series, maturity, and interest rate in any Authorized Denomination in the aggregate Principal amount to remain outstanding.

(d) Purchase of 2020 Bonds. Cascade reserves the right to purchase any or all of the 2020 Bonds offered to Cascade or in the open market at any time at any price acceptable to Cascade plus accrued interest to the date of purchase.

Section 8. Notice of Redemption. Notice of redemption of each 2020 Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other 2020 Bond, unless waived by the Registered Owner, shall be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by a Registered Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each of the Rating Agencies, and to such other persons and with such additional information as Cascade shall determine, but these additional mailings shall not be a condition precedent to the redemption of any 2020 Bond.

In the case of an optional redemption, the notice of redemption may state that Cascade retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, each 2020 Bond for which a notice of optional redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an Event of Default.

Interest on each 2020 Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the 2020 Bond.

Section 9. Failure to Pay 2020 Bonds. Unless otherwise provided in the Bond Purchase Contract, if the Principal of any 2020 Bond is not paid when the 2020 Bond is properly presented at its maturity or date fixed for redemption, Cascade shall be obligated to pay interest on that 2020 Bond at the same rate provided in the 2020 Bond from and after its maturity or date fixed for redemption until that 2020 Bond, both Principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund or in a trust account established to refund or defease the 2020 Bond, and the 2020 Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 10. Form and Execution of 2020 Bonds. Each 2020 Bond shall be prepared in a form consistent with the provisions of this resolution and State law. Each 2020

Bond shall be signed by the Chair and Secretary of the Board, either or both of whose signatures may be manual or in facsimile. If any officer whose manual or facsimile signature appears on a 2020 Bond ceases to be an officer of Cascade authorized to sign bonds before the 2020 Bond bearing his or her manual or facsimile signature is authenticated by the Registrar, or issued or delivered by Cascade, that 2020 Bond nevertheless may be authenticated, issued, and delivered and, when authenticated, issued, and delivered, shall be as binding on Cascade as though that person had continued to be an officer of Cascade authorized to sign bonds. Any 2020 Bond also may be signed on behalf of Cascade by any person who, on the actual date of signing of the 2020 Bond, is an officer of Cascade authorized to sign bonds, although he or she did not hold the required office on the Issue Date.

Only a 2020 Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "Certificate of Authentication. This bond is one of the fully registered Cascade Water Alliance Water System Refunding Revenue Bonds, 2020, described in the 2020 Bond Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the 2020 Bond so authenticated has been duly executed, authenticated, and delivered and is entitled to the benefits of this resolution.

Section 11. Bond Fund. So long as any Parity Bonds are outstanding, Cascade shall set aside and to pay into the Bond Fund, out of the Net Revenue, certain fixed amounts without regard to any proportion, namely:

(a) Into the Debt Service Account,

(1) On the first business day of each month, beginning in the month after the Issue Date and continuing for as long as any of the 2020 Bonds are outstanding and unpaid, approximately equal installments in an aggregate amount equal to the interest on the outstanding 2020 Bonds to be come due and payable on the next interest payment date for the 2020 Bonds, taking into account any amount on deposit in the Debt Service Account allocated to pay interest on the 2020 Bonds; and

(2) On the first business day of each month, beginning in the month that is 12 months prior to the first Principal payment date for the 2020 Bonds (or, if there are fewer than 12 months between the Issue Date and the first Principal payment date for the 2020 Bonds, then beginning in the first month after the Issue Date) and continuing for as long as any of the 2020 Bonds are outstanding and unpaid, approximately equal installments in an aggregate amount equal to the Principal of the outstanding 2020 Bonds to become due and payable on the next Principal payment date for the 2020 Bonds, taking into account any amount on deposit in the Debt Service Account allocated to pay principal of the 2020 Bonds.

(b) Into the Reserve Accounts, except as otherwise expressly provided herein, the amount necessary to make the amount on deposit therein equal to the Reserve Requirement.

Those fixed amounts shall be a lien and charge against the Net Revenue.

Cascade may provide for all or any part of the Reserve Requirement through Reserve Insurance. Except as otherwise expressly provided in this resolution, the Reserve Accounts shall be maintained at all times at not less than the Reserve Requirement.

The Reserve Requirement for the 2020 Bonds (which may be zero) and the 2020 Reserve Account (which may be the Common Reserve Account, or a separate Reserve Account hereby authorized to be created) shall be specified in the Bond Purchase Contract. On the Issue Date, Cascade shall deposit into the Reserve Accounts any combination of 2020 Bond proceeds, Reserve Insurance, or other money legally available, in the amount necessary, if any, to make the amount on deposit in the Reserve Accounts equal to the Reserve Requirement for the Outstanding Parity Bonds and the 2020 Bonds. The payment of Principal of and premium, if any, and interest on the 2020 Bonds when due shall be secured by the 2020 Reserve Account, if any. In the event that there shall be a deficiency in the Debt Service Account that prevents making any payment secured by any 2020 Reserve Account, that deficiency shall be made up from the 2020 Reserve Account first, by the withdrawal of cash therefrom, second, from the proceeds of the sale of investments held therein, and third, from pro rata draws under each Reserve Insurance credited thereto. Any deficiency created in any 2020 Reserve Account by reason of any such withdrawal shall then be made up from the Net Revenue first available after making necessary provisions for the required payments into the Debt Service Account, first, to reinstate each Reserve Insurance, pro rata, and second, to make up any remaining deficiency. The money in any 2020 Reserve Account may be applied against the last outstanding Parity Bonds secured by such Reserve Account. If the Reserve Requirement for the Parity Bonds secured by any 2020 Reserve Account is fully provided for, any money in excess of the Reserve Requirement for the Parity Bonds secured by such Reserve Account may be withdrawn and deposited consistent with this Section and Section 16.

Cascade may provide for the purchase for cancellation, redemption, or defeasance of Parity Bonds by the use of money on deposit in any account in the Bond Fund so long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining Parity Bonds.

All money in the Bond Fund may be kept in cash or invested in legal investments maturing or subject to redemption or repurchase at the option of Cascade, (i) for investments in the Debt Service Account, not later than the dates when the funds are required for the payments therefrom, and (ii) for investments in the Reserve Accounts, not later than ten years from the date of investment. Earnings from investments in the Debt Service Account shall be retained therein. Earnings from investments in each Reserve Account shall be retained therein until the amount therein is equal to the Reserve Requirement for the Parity Bonds secured by such Reserve Account and thereafter may be withdrawn and deposited consistent with this Section and Section 16. In computing the amount on hand in each Reserve Account, Reserve Insurance shall be valued at the lesser of the face amount thereof or the amount available, and all other investments shall be valued at market at least annually and on any business day following any withdrawal therefrom to make a payment from the Debt Service Account secured by such Reserve Account. Any deficiency in a Reserve Account resulting from the valuation of investments held therein shall be made up in approximately equal installments within four months after the date of that valuation.

Notwithstanding the provisions of the foregoing paragraph, so long as there is no deficiency in the Bond Fund, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit in a separate account created for the purpose of complying with those rebate requirements.

Cascade may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds or Payment Agreement Payments so long as the maintenance of those accounts does not conflict with the rights of the Registered Owners.

Section 12. Rate Stabilization Fund. Cascade may at any time, as determined by Cascade and consistent with Section 11 and Section 16, deposit Gross Revenue other than RCFCs in the Rate Stabilization Fund. Cascade may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in the Gross Revenue and disbursement consistent with Section 11 and Section 16. If a deposit or withdrawal is made within 90 days after the end of a fiscal year, Cascade may specify that the deposit or withdrawal is to be allocated to the prior fiscal year rather than to the fiscal year in which that deposit or withdrawal is made. No deposit of Gross Revenue may be made into the Rate Stabilization Fund to the extent that such deposit would prevent Cascade from satisfying the Coverage Requirement in any fiscal year.

Section 13. Pledge of Net Revenue. The Net Revenue and all money and investments held in the Bond Fund, the Rate Stabilization Fund, the RCFC Fund, and the Construction Fund (except money and investments held in a separate fund or account created for the purpose of compliance with rebate requirements under the Code) are pledged to the payment of Principal of and premium, if any, and interest on the Parity Bonds, all Payment Agreement Payments, and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution. This pledge of Net Revenue shall constitute a charge upon the Net Revenue superior to any other charges whatsoever. The Parity Bonds and Payment Agreements are payable solely from Net Revenue and the funds expressly set forth in this Section. Cascade has no taxing power. The Parity Bonds and Payment Agreements shall not be general obligations of Cascade. This resolution does not pledge, and neither the Parity Bonds nor the Payment Agreements are payable from, the full faith and credit or taxing power of any Member. No Member is responsible for payment of the Parity Bonds or the Payment Agreements except as set forth in the Joint Agreement.

Section 14. Use of 2020 Bond Proceeds; Refunding Plan.

(a) Appointment of Refunding Trustee. U.S. Bank National Association of Seattle, Washington, is appointed Refunding Trustee.

(b) Selection of Refunded Bonds. The Designated Representative is authorized and directed to select the Refunding Candidates to be refunded by the 2020 Bonds. The Designated Representative may choose to refund fewer than all of the Refunding Candidates. The Refunded Bonds, as selected by the Designated Representative, shall be identified in a Refunding Plan set forth in the Refunding Trust Agreement.

(c) Use of 2020 Bond Proceeds; Acquisition of Acquired Obligations. On the Issue Date, the proceeds of the sale of the 2020 Bonds shall be deposited with the Refunding Trustee and used, together with other money of Cascade, to discharge the obligations of Cascade relating to the Refunded Bonds by carrying out the Refunding Plan in accordance with the Refunding Trust Agreement. Such obligations shall be discharged fully by the deposit with the Refunding Trustee of money sufficient to carry out the Refunding Plan, which may include the purchase by the Refunding Trustee of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, for the payment of the amount required to be paid by the Refunding Plan. Any Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement. Any 2020 Bond proceeds or other money deposited with the Refunding Trustee not needed to carry out the Refunding Plan shall be returned to Cascade for deposit in the Principal and Interest Account to pay interest on the 2020 Bonds on the next upcoming interest payment date.

(d) Refunding Trust Agreement; Administration of Refunding Plan. The Designated Representative is authorized and directed to execute a Refunding Trust Agreement setting forth the duties, obligations, and responsibilities of the Refunding Trustee in connection with the carrying out the Refunding Plan. The Refunding Trust Agreement shall, among other things, authorize the Refunding Trustee to purchase the Acquired Obligations and to make the payments required to be made by the Refunding Plan. All Acquired Obligations and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested, and applied in accordance with the provisions of the 2012 Bond Resolution, this resolution, chapter 39.53 RCW and other applicable State law. All administrative costs (including without limitation all necessary and proper fees, compensation, and expenses of the Refunding Trustee for the 2020 Bonds and all other costs incidental to the setting up of the escrow to accomplish the Refunding Plan) and costs of issuance of the 2020 Bonds may be paid out of the amounts deposited with the Refunding Trustee or other available money of Cascade, in accordance with the Refunding Trust Agreement.

(e) Call for Redemption of the Refunded Bonds. The Designated Representative is authorized to call the Refunded Bonds for redemption on the Redemption Date at par, plus accrued interest. Such call for redemption shall identify the Refunded Bonds, the maturity dates, the Redemption Date, and redemption price (expressed as a percentage of par, plus accrued interest), and shall be irrevocable after the 2020 Bonds are delivered to the Purchaser. The Designated Representative is authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the 2012 Bond Resolution, and to take all other actions necessary to effect the redemption of the Refunded Bonds on the Redemption Date.

(f) Additional Findings with Respect to Refunding. Prior to approving the sale of the 2020 Bonds, the Designated Representative shall make the following determinations in writing if in his or her judgment the following conditions are met:

(1) The savings that will be effected (as measured by the difference between the Principal and interest cost over the life of the 2020 Bonds and the Principal and interest cost over the life of the Refunded Bonds, but for such refunding) shall be equal to at least the percentage savings set forth in Section 4(l). In making such determination, the Designated Representative shall give consideration to the fixed maturities of the 2020 Bonds and the Refunded Bonds, the costs of issuance of the 2020 Bonds, and the known earned income from any investment of the proceeds of the 2020 Bonds, pending redemption of the Refunded Bonds.

(2) The Refunding Plan will provide sufficient funds to discharge and satisfy the obligations of Cascade under the 2012 Bond Resolution. In making such determination, the Designated Representative may rely upon a verification by a nationally recognized independent certified public accounting firm or of the municipal advisor to Cascade.

Section 15. Covenants. Cascade covenants and agrees with the Registered Owner of each 2020 Bond at any time outstanding, as follows:

(a) Operation and Maintenance. Cascade will at all times maintain, preserve, and keep the properties of the System in good repair, working order, and condition, will make all necessary and proper additions, betterments, renewals, and repairs thereto, and improvements, replacements, and extensions thereof so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and will at all times operate or cause

to be operated the properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) Establishment and Collection of Member Charges. Cascade will establish, maintain, and collect Member Charges consistently with the Joint Agreement so that:

(1) The Gross Revenue in each fiscal year will be sufficient to pay when due (i) all Operations and Maintenance Costs for that fiscal year, (ii) all amounts that Cascade is obligated to pay into the Bond Fund and the accounts therein for that fiscal year, (iii) all taxes, assessments, or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof for that fiscal year, and (iv) any and all other amounts that Cascade is obligated to pay from the Gross Revenue by law or contract in that fiscal year; and

(2) The Coverage Requirement will be satisfied in each fiscal year.

Consistent with its obligations under the Joint Agreement, except as may be required under the provisions of any federal or State statute, regulation, or license, Cascade will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the System free of charge to any person, firm, or corporation, public or private.

(c) Joint Agreement. Cascade will enforce the provisions of the Joint Agreement, including without limitation the provisions of the Joint Agreement providing for payment of Member Charges, the provisions of Section 7.8.2(b) of the Joint Agreement obligating other Members to pay a defaulting Member's Member Charges, and provisions requiring any withdrawing Member to continue payment of its allocable share of debt service on the 2020 Bonds as a "then-existing obligation of Cascade." Cascade will not waive any right or fail to declare any default under or in connection with the Joint Agreement that would reduce the payments or extend the dates for payments to Cascade provided therein or would materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(d) Sale, Transfer, or Disposition of the System. Except as provided in the Joint Agreement, Cascade may sell, transfer, or otherwise dispose of any of the works, plant, properties, facilities, or other part of the System or any real or personal property comprising a part of the System (each, as used in this paragraph, a "transfer") only upon approval of the Board by resolution that contains one or more of the following determinations, to be made at the discretion of the Board:

(1) The facilities or property being transferred are not material to the operation of the System or to the receipt of Member Charges, or have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the System; or

(2) The aggregate depreciated value of the facilities or property being transferred in any fiscal year comprises no more than five percent of the total assets of the System; or

(3) Cascade receives from the transferee an amount equal to the fair market value of the portion of the System transferred. As used in this paragraph, "fair market value" means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting

prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

In the case of a transfer under paragraph (3) of this subsection: (A) the proceeds of the transfer shall be (i) used promptly to redeem (or irrevocably set aside for the redemption of) Parity Bonds and to make any payments under Payment Agreements required pursuant to that redemption and/or (ii) used to provide for part of the cost of additions to and betterments and extensions of the System; (B) before any such transfer, Cascade must obtain a certificate of an Independent Consulting Engineer to the effect that in his or her professional opinion, upon that transfer and the use of proceeds of the transfer as proposed by Cascade, the remaining System will retain its operational integrity and the Coverage Requirement will be satisfied in each of the five fiscal years following the fiscal year in which the transfer is to occur, taking into account (i) the reduction in Gross Revenue resulting from the transfer; (ii) the use of any proceeds of the transfer for the redemption of Parity Bonds or the making of payments under Payment Agreements required pursuant to that redemption, (iii) the Independent Consulting Engineer's estimate of Gross Revenue allocable to customers anticipated to be served by any additions to and betterments and extensions of the System financed by the proceeds of the transfer, and (iv) any other adjustment permitted in the preparation of a certificate under Section 17(e)(2); and (C) before any such transfer, Cascade must obtain confirmation from each of the Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn as a result of that transfer.

Cascade shall not create, grant, or transfer to any person a mortgage, deed of trust, or other security interest in any Water Supply Assets that constitute real property.

Nothing in this subsection shall prevent Cascade from transferring or crediting Water Supply Assets to a Member pursuant to an agreement between Cascade and a Member by which the Member transfers title to Water Supply Assets to Cascade, with or without monetary consideration, to be operated and maintained as part of the System.

(e) Liens Upon the Net Revenue. Except as otherwise expressly provided in this resolution, Cascade will not at any time create or permit to accrue or to exist any lien, charge, or other encumbrance upon the Net Revenue or any part thereof prior or superior to the lien and charge thereon for the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2020 Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien, charge, or other encumbrance upon the Net Revenue or any part thereof, prior or superior to, or on a parity with, the lien and charge thereon for the payment of the Principal of and interest on the Outstanding Parity Bonds and the 2020 Bonds, or which might materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(f) Books and Accounts. Cascade will keep proper books, records, and accounts with respect to the operations, income, and expenditures of the System in accordance with generally accepted accounting practices relating to municipal utilities and any applicable rules and regulations prescribed by the State, and will cause those books, records, and accounts to be audited on an annual basis by the State Auditor and/or by a certified public accountant selected by Cascade. It will prepare annual financial and operating statements as soon as practicable after the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of that fiscal year, and the income and expenses for that fiscal year, including the amounts paid into the Bond Fund and into any and all special funds or accounts created pursuant to the provisions of this resolution, the status of all funds and

accounts as of the end of that fiscal year, and the amounts expended for maintenance, renewals, replacements, and capital additions to the System. That audit report and those statements shall be sent to any Registered Owner upon written request therefor being made to Cascade. Cascade may charge a reasonable cost for providing that audit report and those financial statements.

(g) Maintenance of Insurance. Cascade at all times will carry fire and extended coverage, public liability and property damage, and such other forms of insurance with responsible insurers and with policies payable to Cascade on such of the buildings, equipment, works, plants, facilities, and properties of the System as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of Cascade, to protect the System and the Registered Owners against loss.

(h) Condemnation Awards and Insurance Proceeds. If Cascade receives any condemnation award or proceeds of an insurance policy in connection with any loss of or damage to any property of the System, it shall apply the condemnation award or insurance proceeds, in Cascade's sole discretion, as follows: (i) to the cost of replacing or repairing the lost or damaged properties, (ii) to the payment, purchase for cancellation, or redemption of Parity Bonds and to make any payments under Payment Agreements required pursuant to that payment, purchase for cancellation, or redemption, (iii) to the cost of improvements to the System, or (iv) with respect to proceeds of business interruption insurance only, in accordance with Section 11 and Section 16.

Section 16. Flow of Funds. The Gross Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay when due the Operations and Maintenance Costs;
- (b) To make when due all payments required to be made into the Debt Service Account in respect of interest on Parity Bonds and Payment Agreement Payments;
- (c) To make when due all payments required to be made into the Debt Service Account in respect of the Principal of and premium, if any, on Parity Bonds, whether at maturity or pursuant to prior redemption, and to make payments due under any reimbursement agreement with a Bond Insurer that requires those payments to be made on a parity with the Parity Bonds;
- (d) To make when due all payments required to be made into the Reserve Accounts, all payments required to be made under any agreement relating to the provision of Reserve Insurance, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider that requires those payments to be made on a parity with the payments required to be made into the Reserve Accounts;
- (e) To make when due all payments required to be made under any reimbursement agreement with a Bond Insurer other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a Reserve Insurance provider other than payments to be made on a parity with the

payments required to be made into the Reserve Accounts, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution;

(f) To make when due all payments required to be made into any revenue bond, note, warrant, or other revenue obligation redemption fund, debt service account, or reserve account created to pay or secure the payment of any revenue bonds, notes, warrants, or other obligations of Cascade having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements, and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution; and

(g) For any other lawful System purposes, in any priority not inconsistent with this resolution that Cascade may hereafter establish by resolution.

Notwithstanding the foregoing, Cascade may provide in a Payment Agreement that payments required to be made under that Payment Agreement other than Payment Agreement Payments may be payable from Gross Revenue at priority (e), (f), or (g) in the flow of funds set forth above, and Cascade may further provide in a Payment Agreement that such payments other than Payment Agreement Payments may be payable only after the payment of the Members' water utility operation and maintenance costs, or after payment, retirement, or defeasance of then outstanding obligations of the Members secured by the Members' water rates and charges.

Cascade may transfer any money from any funds or accounts of the System legally available therefor, except money irrevocably deposited in redemption, retirement, or defeasance trust accounts for Parity Bonds, to meet the required payments to be made into the Bond Fund.

Section 17. Provisions for Future Parity Bonds. Cascade may issue Future Parity Bonds and enter into Payment Agreements only for lawful System purposes and only if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds or entry into that Payment Agreement:

- (a) There shall be no deficiency in the Bond Fund;
- (b) Except in the case of Future Parity Bonds being issued for the sole purpose of providing for the costs of refunding Parity Bonds for which no coverage certification pursuant to subsection (e) of this Section is required, no Event of Default, nor any event or condition which with notice and/or the passage of time would constitute an Event of Default, shall have occurred and be continuing, nor shall the issuance of those Future Parity Bonds or the entry into that Payment Agreement, in and of itself, cause an Event of Default or any event or condition which with notice and/or the passage of time would constitute an Event of Default;
- (c) The applicable Parity Bond Authorizing Resolution shall provide for the payment of the Principal of and interest on those Future Parity Bonds or Payment Agreement Payments out of the Bond Fund;
- (d) The applicable Parity Bond Authorizing Resolution shall provide for the deposit into the Reserve Accounts of any combination of Future Parity Bond proceeds, Reserve Insurance, or other money legally available, in the amount, if any, necessary to make the

amount on deposit in the Reserve Accounts equal to the Reserve Requirement for all Parity Bonds upon the issuance of those Future Parity Bonds; and

(e) There shall be on file with Cascade either:

(1) a certificate of the Chief Executive Officer demonstrating that the Coverage Requirement was satisfied during any twelve consecutive calendar months out of the immediately preceding 24 calendar months (assuming that (A) those Future Parity Bonds were outstanding and that the debt service payable on those Future Parity Bonds in that twelve-month period was equal to the Average Annual Debt Service on those Future Parity Bonds and (B) any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding); or

(2) a certificate of an Independent Consulting Engineer that in his or her opinion (which opinion and underlying assumptions shall be set forth in the certificate), the Coverage Requirement will be satisfied, (A) assuming that those Future Parity Bonds are outstanding and any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding, in each of the fiscal years for the five fiscal years next following the earlier of (I) the end of the period during which interest on those Future Parity Bonds is fully capitalized or, if that interest is not fully capitalized, the fiscal year in which those Future Parity Bonds are issued, or (II) the date on which substantially all new facilities or improvements financed in substantial part by those Future Parity Bonds are expected to commence operations and (B) in the fiscal year in which those Future Parity Bonds are issued and any subsequent fiscal year prior to but not included in the fiscal years for which certification is provided pursuant to the foregoing clause (A). That certificate may take into account the following adjustments:

a. Any changes in Member Charges in effect and being charged, or Member Charges expected to be charged (including RCFs expected to be collected) in accordance with a program of specific levels or increases or decreases in overall revenue approved by resolution or resolutions or pursuant to the Joint Agreement;

b. Member Charges from Members who have become Members during the 12 consecutive month period or thereafter, adjusted to reflect one year's Net Revenue allocable to those new Members;

c. The estimate of Net Revenue allocable to Members reasonably expected to be served by new facilities or improvements financed in substantial part by those Future Parity Bonds; and

d. Net Revenue allocable to any person, firm, corporation, or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue.

If those Future Parity Bonds are for the sole purpose of refunding Parity Bonds (including costs of issuance and providing for the Reserve Requirement), no such coverage certification shall be required if, as a result of the issuance of those Future Parity Bonds, (i) the various annual maturities of the refunding Future Parity Bonds will not extend more than a year longer than the Parity Bonds being refunded, and (ii) the Annual Debt Service on all outstanding Parity Bonds will not increase more than \$5,000 in any fiscal year in which the Parity Bonds to be refunded were scheduled to remain outstanding.

Nothing contained herein shall prevent Cascade from issuing (i) Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or (ii) revenue bonds that are a charge upon the Gross Revenue subordinate to the charge thereon for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements, and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution, but only if the remedy of acceleration is expressly denied to the owners of those subordinate bonds under all circumstances.

Section 18. Separate Utility Systems. Cascade may create, acquire, construct, finance, own, and operate one or more additional systems for water supply, transmission, or other commodity or service. The revenue of that separate utility system shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand that separate utility system. Neither the Gross Revenue nor the Net Revenue shall be pledged by Cascade to the payment of any obligations of a separate utility system except that the Net Revenue may be pledged on a basis subordinate to that provided for the payment of the Principal of and premium, if any, and interest on the Parity Bonds, all payments to be made under Payment Agreements, and all payments required to be made into the Reserve Accounts under any Parity Bond Authorizing Resolution.

Section 19. Undertaking to Provide Continuing Disclosure. If necessary to assist the Purchaser in meeting its requirements under paragraph (b)(5) of Rule 15c2-2, as applicable to a participating underwriter for the 2020 Bonds, Cascade shall undertake, in a separate certificate or agreement, to provide the annual financial information, operating data, and notice of events required under paragraph (b)(5) of Rule 15c2-2. A default under such any such undertaking shall not be deemed an Event of Default under this resolution, and the sole remedy under any such undertaking in the event of any failure of Cascade to comply with such undertaking shall be an action to compel performance.

Section 20. Defeasance of Parity Bonds. If Cascade deposits irrevocably with an escrow agent money and/or noncallable Government Obligations which, together with the earnings thereon, are sufficient, without any reinvestment thereof, to pay the Principal of and premium, if any, on any 2020 Bond or 2020 Bonds or portions thereof becoming due (the "Defeased Bonds"), together with all interest accruing thereon to the due date or redemption date, and pays or makes provision for payment of all fees, costs, and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, all liability of Cascade with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be outstanding hereunder, and the Registered Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds, and that escrow agent shall hold the money, Government Obligations, and earnings in trust exclusively for those Registered Owners, and the money, Government Obligations, and earnings shall not secure any other Parity Bonds under this resolution. In determining the sufficiency of the money and Government Obligations deposited pursuant to this Section, the escrow agent shall receive, at the expense of Cascade, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to Cascade and the escrow agent; and (b) an opinion of Bond Counsel to the effect that all conditions set forth in this Section have been satisfied. The Defeased Bonds shall no longer be secured by or entitled to the benefits of this resolution, except for the purposes of any payment from the money or Government Obligations deposited with the escrow agent and except for the

provisions of this resolution relating to the execution, authentication, registration, exchange, transfer, and cancellation of 2020 Bonds.

Section 21. Supplemental Resolutions.

(a) This resolution shall not be modified or amended in any respect subsequent to the Issue Date, except as provided in and in accordance with and subject to the provisions of this Section.

(b) Cascade, from time to time, and at any time, without the consent of or notice to the Registered Owners or Qualified Counterparties, may adopt supplemental resolutions as follows:

(1) To provide for the issuance of Future Parity Bonds and the entry into Payment Agreements in accordance with the provisions of this resolution;

(2) To cure any formal defect, omission, inconsistency, or ambiguity in this resolution in a manner not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding under a Payment Agreement then in effect;

(3) To impose upon the Registrar (with its consent) for the benefit of the Registered Owners or Qualified Counterparties any additional rights, remedies, powers, authority, security, liabilities, or duties that may lawfully be granted, conferred, or imposed and that are not contrary to or inconsistent with this resolution as therefore in effect;

(4) To add to the covenants and agreements of, and limitations and restrictions upon, Cascade in this resolution, other covenants, agreements, limitations, and restrictions to be observed by Cascade that are not contrary or inconsistent with this resolution as therefore in effect;

(5) To confirm, as further assurance, any pledge under, and the subject to any lien, charge, or pledge created or to be created by this resolution of any other money, securities, or funds;

(6) To authorize different Authorized Denominations and to make correlative amendments and modifications to this resolution regarding exchangeability of 2020 Bonds of different Authorized Denominations, redemptions of portions of 2020 Bonds of particular Authorized Denominations, provisions relating to the Securities Depository, and to make similar amendments and modifications of a technical nature not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding;

(7) To modify, alter, amend, or supplement this resolution in any other respect that is not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding that does not involve a change described in subsection (c) of this Section; and

(8) To add to the covenants and agreements of, and limitations and restrictions upon, Cascade in this resolution, other covenants, agreements, limitations, and restrictions to be observed by Cascade that are requested by a Bond Insurer or Reserve Insurance provider and which are not materially adverse to the security of the Registered Owner of any Parity Bond then outstanding.

Before Cascade shall adopt any supplemental resolution pursuant to this subsection, there shall have been delivered to Cascade and the Registrar an opinion of Bond Counsel, stating that that supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon Cascade in accordance with its terms and will not materially adversely affect the security of the Registered Owner of any Parity Bond then outstanding.

(c) (1) Except for any supplemental resolution entered into pursuant to subsection (b) of this Section, subject to the terms and provisions contained in this subsection and not otherwise, Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds shall have the right from time to time to consent to and approve the adoption by Cascade of any supplemental resolution deemed necessary or desirable by Cascade for the purpose of modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms or provisions contained in this resolution; except that, unless approved in writing by each Registered Owner of each Parity Bond at the time outstanding, nothing contained in this Section shall permit, or be construed as permitting:

a. A change in the times, amounts, or currency of payment of any outstanding Parity Bond or Payment Agreement, or a reduction in the Principal amount of any outstanding Parity Bond or a change in the rate or method of determining the rate of interest thereon or the redemption or tender provisions thereof, or

b. A preference or priority of any Parity Bond or Payment Agreement Payment over any other Parity Bond or Payment Agreement Payment, or

c. A reduction in the aggregate Principal amount of Parity Bonds, the consent of the Registered Owners of which is required for any supplemental resolution.

(2) If at any time Cascade shall adopt any supplemental resolution for any of the purposes of this subsection, the Registrar shall cause notice of the proposed supplemental resolution to be given by first-class United States mail to all Registered Owners and Qualified Counterparties, to any Bond Insurer, and to the Rating Agencies. That notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that a copy thereof is on file at the office of the Registrar for inspection by all Registered Owners and Qualified Counterparties.

(3) Within two years after the date of the mailing of that notice, Cascade may adopt that supplemental resolution in substantially the form described in that notice, but only if there shall have first been delivered to the Registrar (i) the required consents, in writing, of the Registered Owners, and (ii) an opinion of Bond Counsel stating that that supplemental resolution is authorized or permitted by this resolution and, upon the execution and delivery thereof, will be valid and binding upon Cascade in accordance with its terms.

(4) If the required consents, in writing, of the Registered Owners have been obtained as herein provided, no Registered Owner shall have any right to object to the adoption of that supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain Cascade from adopting the same or from taking any action pursuant to the provisions thereof.

(d) Upon the execution and delivery of any supplemental resolution pursuant to the provisions of this Section, this resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties, and obligations under this resolution of Cascade, the Registrar, and all Registered Owners shall thereafter be determined, exercised and enforced under this resolution subject in all respects to those modifications and amendments.

Section 22. Amendments to Joint Agreement

(a) Cascade, from time to time, and at any time, without the consent of or notice to the Registered Owners or Qualified Counterparties, may amend the Joint Agreement for any purpose except as provided in subsection (b) of this Section. However, before Cascade shall permit the amendment of the Joint Agreement pursuant to this subsection, there shall have been delivered to Cascade and the Registrar an opinion of Bond Counsel, stating that that amendment is authorized or permitted by this resolution.

(b) (1) Subject to the terms and provisions contained in this subsection, Cascade may amend the Joint Agreement in the following manner only with the prior written consent of each Registered Owner of each Parity Bond at the time outstanding (unless, in the opinion of Bond Counsel, such amendment does not eliminate or materially diminish a Member's obligation under the relevant provision of the Joint Agreement specified below):

a. an amendment that eliminates or materially diminishes the obligation of the Members under paragraph 2, 3, or 4 of Section 5.3.2 of the Joint Agreement, i.e., the obligations (x) to take actions related to the establishment, maintenance, and collection of rates, fees, or other charges for water and other services, facilities, and commodities related to the water supply received from Cascade at levels adequate to provide revenues sufficient to make payments required to be made under the Joint Agreement, and to pay or provide for payment of all other charges and obligations payable from or constituting a charge or lien upon such revenues, or (y) to pay Member Charges to Cascade, or (z) to treat Member Charges as internal operation and maintenance costs or contract resource obligations in either case payable prior to debt service on Member obligations (except that Cascade reserves the right, without the prior written consent of each Registered Owner, to amend the Joint Agreement to enable the component of Member Charges to provide for payments required to be made under a Payment Agreement other than Payment Agreement Payments, to be payable to Cascade after Members' payments of debt service on their own revenue obligations); or

b. an amendment that eliminates or materially diminishes the obligation of the Members under Section 5.3.3 of the Joint Agreement to make appropriate written undertakings under paragraph (b)(5) of Rule 15c2-2; or

c. an amendment that eliminates or materially diminishes the obligation of the Members under Section 5.3.4 of the Joint Agreement, i.e., to take actions related to preservation of the tax-exempt status of interest on the Tax-Exempt Bonds; or

d. an amendment that eliminates or materially diminishes the obligation of the Members under Section 7.8.1(d) of the Joint Agreement, i.e., to remit payment of disputed invoices in full prior to resolving the dispute; or

e. an amendment that eliminates or materially diminishes the obligation of the Members under Section 7.8.2(b) of the Joint Agreement, i.e., to pay proportionate shares of a defaulting Member's Member Charges; or

f. an amendment that eliminates or materially diminishes a withdrawing Member's obligations for the cost of then-existing obligations of Cascade under Section 9.2 of the Joint Agreement.

(2) If at any time Cascade shall permit the amendment of the Joint Agreement for any of the purposes of this subsection, the Registrar shall cause notice of the proposed amendment to be given by first-class United States mail to all Registered Owners and Qualified Counterparties, to any Bond Insurer, and to the Rating Agencies. That notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Registrar for inspection by all Registered Owners and Qualified Counterparties.

(3) Within two years after the date of the mailing of that notice, Cascade may permit the amendment of the Joint Agreement in substantially the form described in that notice, but only if there shall have first been delivered to the Registrar the required consents, in writing, of the Registered Owners.

(4) If the required consents, in writing, of the Registered Owners have been obtained as herein provided, no Registered Owner shall have any right to object to that amendment of the Joint Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain Cascade from entering into the same or from taking any action pursuant to the provisions thereof.

Section 23. Defaults and Remedies

(a) Events of Default. Each of the following shall constitute an "Event of Default":

(1) If Cascade defaults in any payment of Principal of or premium, if any, or interest on any Parity Bond when the same becomes due and payable.

(2) If Cascade files a petition in bankruptcy or is placed in receivership under any state or federal bankruptcy or insolvency law.

(3) If an "Event of Default" occurs under (and as defined in) any Parity Bond Authorizing Resolution other than this resolution.

(4) If Cascade defaults in the observance and performance of any other of the covenants, conditions, and agreements on the part of Cascade set forth in any Parity Bond Authorizing Resolution and that default has continued for a period of 90 days after Cascade has received from the Bond Owners' Trustee or from the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, a written notice specifying and demanding the cure of that default. However, if that default is one that can be remedied but cannot be completely remedied within the 90 days after written notice has been given, it shall not be an Event of Default so long as Cascade has taken active steps within the

90 days after written notice has been given to remedy the default and is diligently pursuing that remedy.

(b) Bond Owners' Trustee. Upon the occurrence and during the continuance of an Event of Default, a trustee (the "Bond Owners' Trustee") (i) may be appointed by the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, notification thereof having been given to Cascade, or (ii) shall be appointed by Cascade at the direction of the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, in each case by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners or by their attorneys-in-fact duly authorized and delivered to the Bond Owners' Trustee or Cascade, as the case may be. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee appointed under the provisions of this subsection shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee appointed, by the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by those Registered Owners or by their attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses, and liabilities that may be incurred in the performance of its duties.

The Bond Owners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for all Registered Owners and is empowered to exercise all the rights and powers herein conferred on the Bond Owners' Trustee.

In the event that any Event of Default in the sole judgment of the Bond Owners' Trustee is cured and the Bond Owners' Trustee furnishes to Cascade a certificate so stating, that Event of Default shall be conclusively deemed to be cured and Cascade, the Bond Owners' Trustee, and the Registered Owners shall be restored to the same rights and position which they would have held if that Event of Default had not occurred.

(c) Suits, Actions and Other Proceedings. Upon the occurrence and during the continuance of an Event of Default, the Bond Owners' Trustee may, and upon the written request of the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds shall, take such steps and institute such suits, actions, or other proceedings, or file and prove such claims in bankruptcy, reorganization, or other similar proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners, to collect any amounts due and owing to or from Cascade, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement, or condition contained in any Parity Bond Authorizing Resolution or any of the Parity Bonds.

Nothing contained in this Section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of Principal of the Parity Bonds, and the remedy of acceleration is expressly denied to the Registered Owners under any circumstances including, without limitation, upon the occurrence and during the continuance of an Event of Default.

Any action, suit, or proceeding instituted by the Bond Owners' Trustee hereunder shall be brought in its name as trustee for the Registered Owners, and all such rights of action upon or under any Parity Bond Authorizing Resolution or any of the Parity Bonds may be enforced by

the Bond Owners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such action, suit, or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all Registered Owners, subject to the provisions of the Parity Bond Authorizing Resolutions. Upon the appointment of a Bond Owners' Trustee in accordance with the provisions herein, each Registered Owner of a Parity Bond, by taking and holding the same, shall be conclusively deemed irrevocably to have appointed the Bond Owners' Trustee the true and lawful trustee of all Registered Owners, with authority to institute any such action, suit, or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any Registered Owner, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization, or other similar proceedings to which Cascade is a party.

(d) Application of Money Collected by Bond Owners' Trustee. Any money collected by the Bond Owners' Trustee at any time pursuant to this Section shall be applied in the following order of priority:

(1) first, to the payment of the charges, expenses, advances, and compensation of the Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements, and compensation of its agents and attorneys;

(2) second, to the payment of all interest on the Parity Bonds and the Payment Agreement Payments then due and payable, in the order in which the same became due and payable, and, if the amount available shall not be sufficient to make any payment in full, then to the payment, ratably, according to the amounts due with respect to those payments, without discrimination or preference;

(3) third, to the payment of all unpaid Principal of and premium, if any, on the Parity Bonds then due and payable (other than Parity Bonds called for redemption for the payment of which money is held pursuant to the provisions of any Parity Bond Authorizing Resolution), in the order in which the same became due and payable, and, if the amount available shall not be sufficient to make any payment in full, then to the payment, ratably, according to the amounts due with respect to those payments, without any discrimination or preference;

(4) fourth, to the payment of all unpaid Parity Bonds called for optional redemption, if any; and

(5) fifth, for any payment under a Payment Agreement that does not constitute a Payment Agreement Payment.

(e) Duties and Obligations of Bond Owners' Trustee. The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. Upon the occurrence and during the continuance of an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use

under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act, or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of the Parity Bond Authorizing Resolutions, and no implied powers, duties, or obligations of the Bond Owners' Trustee shall be read into this resolution.

The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act, or its own willful misconduct.

The Bond Owners' Trustee shall not be bound to recognize any person as a Registered Owner of any Parity Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bond Owners' Trustee may consult with counsel, and the opinion of that counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of that counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm, or corporation employed and selected-by it with reasonable care.

(f) Proceedings By Individual Parity Bond Owners Restricted. No Registered Owner shall have any right to institute any action, suit, or proceeding at law, in equity, or in bankruptcy, reorganization, or other similar proceedings under any Parity Bond Authorizing Resolution unless:

- (1) an Event of Default has occurred and is continuing;
- (2) a Bond Owners' Trustee has been appointed;
- (3) that Registered Owner shall have given to the Bond Owners' Trustee written notice of the Event of Default on account of which that action, suit, or proceeding is to be instituted;
- (4) the Registered Owners of not less than a majority of aggregate Principal amount of the outstanding Parity Bonds, after the occurrence and during the continuance of that Event of Default, have made written request of the Bond Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute that action, suit, or proceeding;
- (5) there have been offered to the Bond Owners' Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby; and
- (6) the Bond Owners' Trustee has refused or neglected to comply with that request within a reasonable time.

No Registered Owner shall have any right in any manner whatever by his or her action to affect or impair the obligation of Cascade to pay from the Net Revenue the Principal of and

premium, if any, and interest on any Parity Bond to the Registered Owner thereof or any Payment Agreement Payment when due.

Notwithstanding any other provision of this resolution, each Registered Owner shall have the absolute and unconditional right to receive payment of Principal of and premium, if any, and interest on that Registered Owner's Parity Bonds on and after the due date thereof and to institute suit for the enforcement of any such payment.

(g) Failure to Comply With Undertaking. Notwithstanding anything in this Section to the contrary, the failure of Cascade or any obligated person to comply with the Undertaking shall not constitute an Event of Default, and the sole remedy of any holder of a 2020 Bond shall be to seek an order of specific performance from an appropriate court to compel Cascade or the obligated person to comply with the Undertaking.

Section 24. Manner of Sale; Delivery of 2020 Bonds. The Designated Representative is authorized to sell the 2020 Bonds by negotiated sale or private placement or by competitive sale in accordance with a notice of sale consistent with this resolution, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate Cascade officials and staff, Bond Counsel, and other advisors. In determining the method of sale of the 2020 Bonds and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to Cascade.

(a) Procedure for Negotiated Sale or Private Placement. If the Designated Representative determines that the 2020 Bonds are to be sold by negotiated sale or private placement, the Designated Representative shall select the Purchaser with which to negotiate such sale. The Bond Purchase Contract shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of Cascade, so long as the terms provided therein are consistent with the terms of this resolution.

(b) Procedure for Competitive Sale. If the Designated Representative determines that the 2020 Bonds are to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this resolution. Bids for the purchase of the 2020 Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of Cascade, the winning bid and accept the winning bidder's offer to purchase the 2020 Bonds, with such adjustments to the aggregate Principal amount and Principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this resolution. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in Cascade's best interest to do so. If all bids are rejected, the 2020 Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of Cascade, within the parameters set forth in this resolution.

The 2020 Bonds will be prepared at Cascade's expense and will be delivered to the Purchaser in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding the 2020 Bonds.

Section 25. General Authorization. The Chair of the Board and the Chief Executive Officer of Cascade and each of the other appropriate officers of Cascade are each individually authorized and directed to do everything as in their judgment may be necessary, appropriate, or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this resolution. In particular, and without limitation, the Chief Executive Officer may, in his or her discretion and without further action by the Board, (i) deem final any preliminary official statement or official statement relating to the 2020 Bonds, (ii) authorize the distribution of any preliminary official statement or official statement by the Purchaser, (iii) comply with any continuing disclosure requirements applicable to the 2020 Bonds, (iv) change the Registrar or Securities Depository, (v) provide information to Rating Agencies, prospective providers of Bond Insurance and Reserve Insurance, and other participants in the issuance of the 2020 Bonds, and (vi) request proposals from Purchasers and prospective providers of Bond Insurance and Reserve Insurance for the 2020 Bonds.

Section 26. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, the offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 27. Ratification of Prior Acts. Any action taken consistent with the authority but prior to the effective date of this resolution, including, if applicable, giving an official notice of bond sale, executing contracts, making fund transfers, and paying warrants, is ratified, approved, and confirmed.

Section 28. Section Headings. The section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

Section 29. Effective Date. This resolution shall take effect and be in force immediately upon its adoption.

ADOPTED AND APPROVED by the Board of Directors of the Cascade Water Alliance at an open public regular meeting held on this 28th day of October 2020.

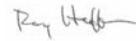
CASCADE WATER ALLIANCE



John Stokes, Chair



Penny Sweet, Vice-Chair



Attest – Ray Hoffman, CEO



Angela Birney, Secretary/Treasurer

Members

Yes 7

No 0

Demand Share

Yes 100 %

No 0 %

Include in CWAC?

Yes

No

APPENDIX C

BOOK-ENTRY TRANSFER SYSTEM

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The following information has been provided by The Depository Trust Company, New York, New York (“DTC”). Cascade makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system, in denominations of \$5,000 or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they shall be sent by the Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Cascade as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Cascade or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or Cascade, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) are the responsibility of Cascade or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Cascade and the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Cascade may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Issue Date]

Cascade Water Alliance
Bellevue, Washington

Re: Cascade Water Alliance
Water System Refunding Revenue Bonds, 2020 (Taxable)

We have served as bond counsel to Cascade Water Alliance (“Cascade”) in connection with the issuance of the above-referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued by Cascade pursuant to Resolution No. 2020-15 (the “Bond Resolution”) to pay the cost of refunding a portion of its outstanding Water System Revenue Bonds, 2012, to effect a debt service savings and to pay the costs of issuing and selling the Bonds, all as set forth in the Bond Resolution.

Reference is made to the Bonds and the Bond Resolution for the definitions of capitalized terms used and not otherwise defined herein.

We have not been engaged to review and thus express no opinion concerning the completeness or accuracy of any official statement, offering circular, or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. Cascade is a duly organized and legally existing Washington joint municipal utilities services authority under chapter 39.106 RCW;
2. The Bonds have been duly authorized and executed by Cascade and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of Cascade relating thereto;
3. The Bonds constitute valid and binding obligations of Cascade payable solely out of Net Revenue and certain other amounts to be paid into the Bond Fund, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases; and
4. Interest on the Bonds is not excludable from gross income for federal income tax purposes.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Cascade Water Alliance (“Cascade”) in connection with the issuance by Cascade of \$30,005,000 aggregate principal amount of its Water System Refunding Revenue Bonds, 2020 (Taxable) (the “Bonds”). The Bonds have been issued pursuant to Resolution No. 2020-15, adopted by the Board of Directors of Cascade (the “Board”) on October 28, 2020 (the “Bond Resolution”). Cascade covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by Cascade for the benefit of the holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with Rule 15c2-12 (defined herein).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution or in the Official Statement dated December 9, 2020 (the “Official Statement”), which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means the Annual Report required to be provided by Cascade pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” means Cascade, or any successor Dissemination Agent designated in writing by Cascade and which has filed with Cascade a written acceptance of such designation.

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of the foregoing (i) or (ii).

“Listed Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Members” means, collectively, the cities of Bellevue, Issaquah, Kirkland, Redmond, and Tukwila, Sammamish Plateau Water and Sewer District, and Skyway Water and Sewer District and any municipal corporation that under the Joint Agreement becomes a member of Cascade while any of the Bonds are outstanding, but does not include any municipal corporation that under the Joint Agreement ceases to be a member of Cascade while any of the Bonds are outstanding.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means the original underwriter of the Bonds required to comply with Rule 15c2-12 in connection with offering of the Bonds.

“Required Member” means for any fiscal year of Cascade any Member obligated in that fiscal year to pay Member Charges (as defined in the Bond Resolution) in an amount equal to 10 percent or more of the sum of the Member Charges required to be paid by all of the Members in such fiscal year.

“Rule 15c2-12” means paragraph (b)(5) of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, as such rule is amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“State” means the State of Washington.

“Submission Deadline” means the date that is nine months after the end of Cascade’s fiscal year, which fiscal year is currently a year ending on December 31.

SECTION 3. Provision of Annual Reports.

(a) Cascade shall, or shall cause the Dissemination Agent to, not later than each Submission Deadline, commencing with the Submission Deadline for the fiscal year ending December 31, 2020, provide to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by specific reference documents available to the public on the Internet website of the MSRB or filed with the SEC. If Cascade’s or any Required Member’s fiscal year changes, Cascade shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 15 Business Days prior to each Submission Deadline, Cascade shall provide the Annual Report to the Dissemination Agent (if other than Cascade). If Cascade is unable to provide to the MSRB an Annual Report by the Submission Deadline, Cascade shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent is other than Cascade, the Dissemination Agent shall file a report with Cascade certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. Cascade’s Annual Report shall contain or include by reference (without duplication) the following:

(a) The audited financial statements of Cascade for the applicable fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law. If Cascade’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) or (b), the Annual Report shall contain unaudited financial statements in a format similar to Cascade’s audited financial statements, and Cascade’s audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The audited financial statements of each Required Member for the applicable fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to such Required Member (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law. If a Required Member’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) or (b), the Annual Report shall contain unaudited financial statements in a format similar to the format of the Required Member’s audited financial statements, and such Required Member’s audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(c) Other historical financial and operating information (which may be included in the audited financial statements) of the type shown in the Official Statement, as follows:

1. Historical financial information and operating data of the type shown in the Official Statement in the tables entitled “CERUs, Percentage of Total Demand Shares and Member Charges for Each Member for 2020,” “Scheduled Debt Service Requirements,” “Amount of Water to

be Supplied to Cascade from Seattle,” “Cascade Water Alliance Statement of Revenues, Expenses and Changes in Net Position (Fiscal Year Ending December 31),” “Cascade Water Alliance Statement of Net Position (As of December 31),” “Member Demand Shares for 2016 through 2020,” “Each Member Percentage of Total Demand Shares for 2016 through 2020,” “Member CERUs for 2016 through 2020 by Member,” “Each Member’s Percentage of Member CERUs for 2016 through 2020” and “Member Charges for 2016 through 2020 by Member.”

2. Historical financial information of the type shown in the Official Statement under the headings “CASCADE WATER ALLIANCE – Retirement Plans” and “– Management Discussion of Financial Operations.”

3. For each Required Member, historical financial information of the type shown in the Official Statement in the table entitled “Member and Other Regional Water Rates - 2020.”

4. For each Required Member, historical financial information and operating data of the type shown for such Required Member in Appendix A.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, Cascade shall give, or cause to be given, to the MSRB timely notice of the occurrence of any of the following events with respect to the Bonds, not in excess of ten business days after the occurrence of the event:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of Cascade or a Required Member;
13. the consummation of a merger, consolidation, or acquisition involving Cascade or a Required Member or the sale of all or substantially all of the assets of Cascade or a Required Member, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. incurrence of a Financial Obligation of Cascade or a Required Member, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of Cascade or a Required Member, any of which affect holders of the Bonds, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of Cascade or a Required Member, any of which reflect financial difficulties.

(b) Whenever Cascade obtains knowledge of the occurrence of a Listed Event that is required to be reported only if material, Cascade shall as soon as possible determine if such event would be material under applicable federal securities laws.

SECTION 6. Termination of Reporting Obligation. Cascade's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, Cascade shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. Cascade may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than Cascade) shall not be responsible in any manner for the content of any notice or report prepared by Cascade pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, Cascade may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders (other than for amendments to the Bond Resolution requiring the consent of all holders) or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, Cascade shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by Cascade or by a Required Member. In addition, if the amendment relates to the accounting principles to be followed in preparing financial

statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent Cascade or any Member from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If Cascade or any Member chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, neither Cascade nor any Member shall have any obligation under this Certificate to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of Cascade to comply with any provision of this Disclosure Certificate any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Cascade to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of Cascade to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of Cascade, the Dissemination Agent, the Participating Underwriter, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 23, 2020.

CASCADE WATER ALLIANCE

By _____
Ray Hoffman, Chief Executive Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Cascade Water Alliance

Name of Issue: Water System Refunding Revenue Bonds, 2020 (Taxable)

Issue Date: December 23, 2020

NOTICE IS HEREBY GIVEN that Cascade has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated December 23, 2020. [Cascade anticipates that the Annual Report will be filed by _____.]

CASCADE WATER ALLIANCE

By _____

APPENDIX F

AUDITED FINANCIAL STATEMENTS OF CASCADE FOR 2019

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CASCADE WATER ALLIANCE

Financial Statements

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

**To the Board of Directors
Cascade Water Alliance
Bellevue, Washington**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Cascade Water Alliance (Cascade), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cascade as of December 31, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and modified approach for Infrastructure Capital Assets on pages 3 through 11 and on pages 35 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Certified Public Accountants
June 17, 2020

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Management's Discussion and Analysis presents our review of Cascade Water Alliance's (Cascade) net position as of December 31, 2019 and 2018, and Cascade's financial performance for the years then ended. These comments should be read in conjunction with Cascade's financial statements, which follow this section.

Overview of the Financial Statements

The financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows and Notes to Financial Statements.

The Statements of Net Position provide a record, or snapshot, of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of Cascade at the close of the year. It provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It provides a basis for evaluating the capital structure of Cascade and for assessing its liquidity and financial flexibility.

The Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities over the course of the year. This information can be used to determine whether Cascade has successfully recovered all its costs through its user fees and other charges, and to evaluate its financial viability and credit worthiness.

The Statements of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operating, capital and related financing and investing activities over the course of the year. The statements present information on where cash came from and what it was used for.

The Notes to Financial Statements provide useful information regarding Cascade's significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Cascade's overall financial position is strong, with sufficient liquidity to finance operations and sufficient debt capacity to finance future capital asset acquisitions. Cascade is financed by equity and long-term debt.

Depreciable capital assets have increased due to Cascade obtaining sources of water supply and related water systems needed to deliver the supply. Cascade primarily serves a suburban area east of Lake Washington in King County.

Major debt financing to date includes:

- \$10,000,000 borrowed in 2004 from member Sammamish Plateau Water and Sewer District for acquisition of water supply sources and water systems (repaid from bond proceeds in 2006);
- \$25,904,442 owed to the City of Tacoma for acquisition of water supply sources and water systems (repaid from bond proceeds in 2006);
- Twenty-five year \$55,230,000 revenue bond proceeds (2006 revenue bonds) to pay the Sammamish Plateau Water and Sewer District and City of Tacoma and to finance system development (refunded by 2014 revenue bonds);
- Twenty-five year \$80,095,000 revenue bond proceeds (2009 revenue bonds) to acquire the Lake Tapps system from Puget Sound Energy (PSE) and to fund property acquisitions and pipeline construction along a potential water transmission corridor. These bonds were refunded during the year ended December 31, 2019;

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

- Twenty-five year \$42,695,000 revenue bond proceeds (2012 revenue bonds) to acquire independent supply production capacity, to restructure the Tacoma Water Contract, to extend the Seattle Water Contract, and to fund Lake Tapps capital improvements;
- Fifteen year \$29,220,000 refunding revenue bonds (2014 revenue bonds) to pay a portion of the cost of refunding the callable portion of the outstanding 2006 Bonds. The net proceeds were placed in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the 2006 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$2,692,477. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2006 revenue bonds to reduce its total debt service payments over fourteen years by \$6,270,530 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$5,462,625. At December 31, 2016, none of the defeased bonds remain outstanding; and
- Seventeen year \$49,430,000 refunding revenue bond (2019 revenue bonds) to refund the outstanding 2009 revenue bonds to achieve a debt service savings, In addition to the debt service savings it freed up the 2009 bond reserve of \$4,924,951. However, due to limitations on the uses of the bond reserve, the reserve was used to pay down the issuance and Cascade borrowed an additional \$5 million for construction projects.

Condensed Financial Statements

Statements of Net Position as of December 31, 2019, 2018 and 2017

	2019	2018	2017
Current assets	\$ 22,321,130	\$ 20,121,215	\$ 34,455,947
Net capital assets	254,170,546	259,646,356	264,904,274
Other assets	28,954,842	30,015,639	25,306,593
Total Assets	305,446,518	309,783,210	324,666,814
Deferred Outflows of Resources	1,441,330	1,627,312	1,813,781
Current liabilities	16,835,945	15,263,039	27,105,308
Long-term liabilities	192,606,691	204,932,728	217,216,599
Total Liabilities	209,442,636	220,195,767	244,321,907
Net investment in capital assets	62,145,537	55,687,234	38,330,678
Restricted for-			
Debt service	15,514,470	20,721,482	18,192,395
Unrestricted	19,785,205	14,806,039	25,635,615
Total Net Position	\$ 97,445,212	\$ 91,214,755	\$ 82,158,688

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Financial Analysis

Current assets increased in 2019 by over \$3.5 million compared to 2018 with the majority attributed to a increase in cash and cash equivalents. Net capital assets decreased by \$5.5 million or 2.1% due to amortization of the water contracts, partially offset by increases in capital projects. Other assets decreased by \$4.7 million. Deferred outflows of resources decreased by 11.4% due to the continued amortization of the deferred amount of bond refunding. Current liabilities increased in 2019 by \$4.2 million largely as a result of payments to Tacoma for the current portion of the water contract. Long-term liabilities decreased by \$6.6 million due to payments to Tacoma, as well as bond principal payments and a bond refunding that reduced long-term liabilities. Invested in capital assets net of related debt increased by \$6.5 million as capital projects increased and related debt decreased. Restricted for debt service decreased by \$5.2 million in 2019 as the bond refunding in 2019 resulted in a release of the bond reserves that were associated with the 2009 bond issuance. Unrestricted net assets which consist of accumulated assets that do not meet the definition of invested in capital assets, net of related debt or restricted increased by 34% as overall net position increased by 6.8%.

Condensed Financial Statements

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Water sales	\$ 36,412,424	\$ 34,595,643	\$ 33,542,761
Administrative dues	3,286,899	3,378,267	3,303,660
Conservation program and other	821,152	911,993	991,476
Total Operating Revenue	40,520,475	38,885,903	37,837,897
Cost of water sold	24,087,405	23,763,609	23,025,616
Other operating costs	12,605,692	12,275,214	11,990,574
Total Operating Expenses	36,693,097	36,038,823	35,016,190
Operating Income	3,827,378	2,847,080	2,821,707
Nonoperating expenses	(3,467,561)	(4,269,739)	(5,102,745)
Capital contributions	5,870,640	10,478,726	9,638,026
Changes in Net Position	6,230,457	9,056,067	7,356,988
Net position, beginning of year	91,214,755	82,158,688	74,801,700
Net Position, End of Year	<u>\$ 97,445,212</u>	<u>\$ 91,214,755</u>	<u>\$ 82,158,688</u>

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Results of Operations

Operating revenues are received principally from water sales, administrative dues and conservation charges. Cascade commenced water sales in 2004 upon acquisition of the Seattle Water Contract from Seattle Public Utilities. Cascade collects capital contributions from its members. These contributions consist of Regional Capital Facilities Charges (RCFC's) and donated systems. RCFC's are due from members for new residential equivalent customers connecting to the members' systems. Donated systems consisted of a donation of a portion of the Bellevue Issaquah pipeline in 2004 valued at \$9,208,077.

Conservation charges decreased in 2019 to \$821,152 from \$911,993 in 2018 and the corresponding conservation budget decreased slightly as well. Total operating revenues for 2019 were \$40,520,475 compared to \$38,885,903 for 2018, an increase of 4.2%, attributable to higher demand share charges. The cost of water sold increased by 1.4% in 2019. Total operating expenses increased by 1.8%, but due to the larger increase in operating revenue, operating income increased by \$980,298 in 2019. Nonoperating expenses decreased 18.8% due to a reduction in interest expense in 2019. Capital contributions decreased by \$4.6 million in 2019 over 2018 as one member, the City of Redmond, reported an unusually large number of credits in 2019. The City of Redmond's largest customer, Microsoft, redeveloped and removed numerous large meters. Upon completion of the redevelopment many of the meters will be replaced with smaller meters and reported to Cascade as growth. Overall net assets increased by 6.8% in 2019.

Capital Assets and Long-Term Debt

The capital assets of Cascade decreased \$5.5 million in 2019 with the amortization of the water contracts greater than expenditures related to ongoing capital projects. Capital asset expenditures have been funded from capital contributions and the 2006, 2009 and 2012 revenue bonds.

In 2012, Cascade issued revenue bonds in the amount of \$42,695,000. The proceeds of this obligation were used in 2012 and 2013 to acquire independent supply production capacity (by purchasing RCFC credits from Cascade members), to restructure the Tacoma Water Contract, to extend the Seattle Water Contract, and to fund Lake Tapps capital improvements.

In 2019, Cascade issued revenue bonds in the amount of \$49,430,000. The proceeds of this obligation were used to refund the 2009 bonds.

Seattle Water Contract - The Seattle water contract entitles Cascade to a specified amount of water each year for a fifty-year period ending December 31, 2053. The amount of the block can be amended based on new members joining Cascade or existing members withdrawing from Cascade prior to December 31, 2011, or a reduction in water yield available to Seattle due to an order of an appropriate federal or state regulatory agency. At the end of the contract term, Cascade may continue to purchase up to 5.3 million gallons per day (mgd) for members that cannot be economically served by any other means. In December 2008, this agreement was amended to entitle Cascade to a supplemental block of additional water through December 31, 2023.

In 2013, the negotiations were finalized that extend the contract with Seattle by 10 years, to 2063. The new contract extends current capacity of 30.3 mgd through 2039 and then ramps down throughout the remaining years. Under the contract extension, Cascade makes three scheduled capacity reservation payments to Seattle; the first payment was \$5 million in 2013 using bond proceeds, the second payment of \$12 million was made in 2018 and a final payment is due 2024. Ratification of the contract occurred in July 2013.

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Capital Assets and Long-Term Debt (Continued)

Amortization of the Seattle water contract cost is based on the ratio of water to be supplied in that calendar year to total water to be supplied during the contract. Amortization expense for this contract was \$561,775 for the years ended December 31, 2019 and 2018.

Tacoma Water Contract - In December 2012, a new contract was signed with Tacoma. The new contract restructures the prior Tacoma supply contract, and it clarifies Cascade's rights and responsibilities for the previously purchased capacity to enable and transfer to specific third parties through a joint offering. Under the new contract, minimum water purchase volumes have been replaced by a structured capacity reservation schedule and a new capacity commitment of 8.0 mgd provided to Cascade through 2042. The 2012 bond proceeds are funding initial payments to Tacoma of \$20 million, which started with a payment of \$10 million in January 2013.

Prior costs incurred to obtain the 2005 Tacoma water contract consist of system development charges of \$16,484,000 and capacity reservation fees of \$9,420,442. The system development charges relate to the base amount of water, and capacity reservation fees relate to the additional water to be supplied. As part of the agreement with Tacoma, Cascade and Tacoma jointly offered the 2005 contract water supply to four cities (City of Bonney Lake, City of Auburn, City of Buckley, and City of Sumner) in 2013. In 2013, the City of Auburn agreed to purchase 2.5 mgd of the system development charges for \$7,893,300 and have an option to purchase all the capacity reservation fee portion of the 2005 Tacoma contract for \$1,427,864 with the option extending through June 2017. In 2017, the City of Auburn decided not to exercise their option and Cascade wrote off the remaining 2005 contract and the corresponding amortization.

In 2011, the City of Bonney Lake agreed to purchase \$2,747,334 as a base amount of 2005 Tacoma water contract from Cascade for the system development charge that Cascade had paid to Tacoma. In 2013, the City of Bonney Lake agreed to purchase an additional portion of the 2005 Tacoma water contract for \$391,222.

Interest Capitalization - Interest costs incurred for the acquisition and/or construction of assets are subject to capitalization based on the guidelines established by Governmental Accounting Standards Board (GASB) Statements No. 34 and 62. Interest paid was \$6,008,673 and \$6,277,801 for the years ended December 31, 2019 and 2018, respectively. Total interest incurred on bonds for the years ended December 31, 2019 and 2018, was \$5,469,250 and \$6,163,870, respectively. No interest was capitalized in 2019 and 2018.

System Infrastructure - In February 2012, a pipe leak at a delivery point of Seattle Public Utilities (SPU) water to a Cascade member utility (City of Tukwila) has prompted a review by attorneys and engineers of SPU and Cascade to determine which agency is financially responsible for pipe leaks and other unforeseeable incidents at water points of delivery, and to determine exactly at which physical system points each agency bears responsibility. The outcome of this review may lead to an increased annual operational financial obligation for Cascade.

Barrier Apron Improvement - In 2015, in coordination with the United States Army Corps of Engineers (USACE) and other interested parties, (Tribes, State and Federal fishery agencies) Cascade replaced the severely damaged downstream apron on the Barrier Structure with a newly designed and improved apron. The USACE Mud Mountain Dam Fish Passage Barrier Structure Apron Repair project (the Apron Repair Project) was a requirement of Reasonable and Prudent Alternative (RPA) action item under the Mud Mountain Biological Opinion and Conference Opinion issued to the USACE by the National Marine Fisheries Service in October 2014 (Bi-Op). Cascade performed the apron replacement on behalf of the USACE under the 2010 Cooperative Agreement. As with other Barrier Structure activities, the USACE was responsible for environmental and regulatory coordination, and obtaining all applicable environmental authorizations necessary to carry out the work.

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Capital Assets and Long-Term Debt (Continued)

In 2018, the Board authorized conveyance of Project property and facilities (primarily the Barrier Structure) considered surplus (not required for providing public utility services) to the United States Army Corps of Engineers (USACE), conditioned upon obtaining acceptable construction and operations agreements from the USACE (Board Resolution 2018-04).

Cascade received "full value" in the following manner: Cascade entered into construction and operating agreements with the USACE that will ensure that facilities will be built and operated in a manner that preserves Cascade's Water Rights and the means for Cascade to exercise those rights. In addition, the replacement of the existing deteriorating Barrier Structure dating from 1911 and the USACE assumption of the operations and maintenance of the replacement facility will provide economic benefits to Cascade that exceed the appraised value of the property to be conveyed. In addition, as part of the USACE construction project, improvements will be made to Cascade's intake facilities that will improve operational efficiency and reduce long-term maintenance costs.

Pipeline Routing: Tacoma Cascade Pipeline - The Tacoma Cascade Pipeline (TCP) is an eighteen-mile pipeline extending from the Tacoma Second Supply Pipeline to the Bellevue Issaquah pipeline. The TCP will deliver Tacoma water supply to Cascade members. Cascade has acquired property and easements for the entire eighteen-mile route, with the exception of portions along King County (County) roads for which a franchise with the County will be sought.

Projects in Process

The TCP project consists of three segments: 1) the 1.1-mile segment at the north end of the route along SR-900; 2) the northern segment between Segment 1 and Lake Youngs; and 3) the central segment between Lake Youngs to the Tacoma Second Supply Pipeline.

Construction of Segment 1 has been completed and the asset began depreciation in 2012. The pipeline's useful life is dependent on soil conditions, environment and other factors. Cascade will use a 50-year useful life for depreciation, which is consistent with other utilities' practices (like Seattle Public Utilities). Although construction is complete, the project will not be finalized until the Washington State Department of Transportation signs a final acceptance letter.

Prior to 2012, all three segments were considered as a single combined TCP project for the work and expenditures that occurred along the entire project. Starting in 2012, however, Segments 1, 2 and 3 are being accounted for separately, since separate decisions have been made for the future of each segment.

Previously capitalized expenditures related to Segment 2 were expensed in 2012 since it had become less probable that this segment would ultimately be put into service due to its complicated property and routing configuration.

Minor work and expenditures will continue on Segment 3, however, as it is far more likely than Segment 2 to ultimately be put into service. Segment 3 will not be operational until 2024 at the earliest. Starting in 2012, Segment 3 has been placed into "on hold" status until the project is more fully resumed. All or portions of the TCP are being evaluated for eventual integration into a region-wide water delivery resiliency system, and will be held as an asset by Cascade until the evaluation is completed.

White River System Operator - Veolia Water started working on January 1, 2012, under contract by Cascade, to operate and maintain the White River - Lake Tapps Reservoir Project. For 2018, the fixed fee budget was \$1.9 million and a variable budget of \$.2 million. A Project Operations and Maintenance Manual was completed in 2012.

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Projects in Process (Continued)

Security Improvements - After a security strategic plan was performed by Carollo Engineers in 2015, a study was conducted to look at each Cascade asset and evaluate them to determine the potential range of threats, liability, and impacts on operation in the event of a loss. Each asset was prioritized using a pairwise comparison, then prioritizations were refined based on operational importance, public safety, and economic value. Each asset was prioritized high, medium, or low. The majority of the construction for the security improvements project occurred in 2017 but the project was completed in 2018.

Powerhouse Valve #3 Replacement - An options analysis has been completed for powerhouse valve #3, with the recommended option being a configuration utilizing a new "plunger" valve and installing it in a cast in place of the concrete vault on the south side of the tailrace just outside the powerhouse. If successful, the new valve will dissipate energy, provide more flow capacity, be able to control flow and have a longer service life. Construction of the Valve #3 replacement was nearly complete at the end of 2016, with testing and calibration being performed in 2017.

Bellevue Issaquah Pipeline (BIP) - A Memorandum of Understanding was signed in 2013 between Cascade and the City of Bellevue to operate and maintain the BIP. A project to install meters along the BIP began in 2014 and was completed in 2018.

2012 Transmission and Supply Plan Update - The Cascade Water Alliance Board of Directors adopted the 2012 Transmission and Supply Plan (the 2012 TSP) in July 2012. This 2012 TSP fulfills Cascade's responsibility to submit a water system plan to the Washington State Department of Health. In addition, it supplements information on regional supply provided by each of its members in their respective individual water system plans. Cascade updates its TSP every six years. The TSP update includes analysis of regional growth and water demand. These have demonstrated that Cascade members will need less water than was anticipated in the 2004 TSP. The outcome of the TSP update determines Cascade's capital investment program for the next several years, including the extent of contracting with Seattle and Tacoma for water and the development schedule for Lake Tapps and water transmission systems. In 2010, Cascade determined that expenditure for TSP updates do not meet the criteria for being a capitalizable intangible asset, so expenditures for TSP update expenditures have been expensed accordingly. In 2018, the 2012 TSP was extended through 2022.

Eastside Reservoir - The Eastside Reservoir project was evaluated for eventual integration into a region-wide water delivery resiliency system in 2018 and previously capitalized expenditures were expensed since it had become less probable that the Reservoir would ultimately be put into service.

Electronic Document Management System - Cascade began implementing an electronic document management system (EDMS) at its main office in Bellevue and at the White River Lake Tapps facilities in 2013. Implementation continued through 2017 in a phased-in approach. The EDMS will improve document storage, access, security, and retrieval.

Barrier Dam Intake Design Modifications - Cascade, working with the U.S. Army Corps of Engineers (USACE) to replace the 100 plus year old barrier dam with a more effective dam, hired an engineer to initially review the USACE's plans and then later to design the appropriate modifications. In 2017 the design of the modifications were completed and went out to bid as part of the USACE bid package. Subsequent to yearend Cascade and the USACE finalized four easements and a number of agreements moving the work forward. Additionally, USACE has awarded a bid for the construction of the project. Additional legal and design work was performed in 2018 and 2019. The overall project is scheduled to be completed in 2022.

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Projects in Process (Continued)

Other White River Lake Tapps Projects - Several repair and upgrade projects, as described more fully in Cascade's Capital Improvement Program, were advanced in 2019 and will continue in 2020, including:

- Network and IT architecture upgrades
- SCADA upgrades
- Valve house controls upgrade

Invested Funds

In accordance with state investment laws, Cascade's governing body has entered into a formal interlocal agreement with Cascade's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2019, Cascade had the following investments:

Impaired Investments - As of December 31, 2019, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. Cascade's share of the impaired investment pool principal is \$42,033 and Cascade's fair value of these investments is \$28,287.

Interest Rate Risk - As of December 31, 2019, the Pool's average duration was .92 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity or weighted average life of no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk - As of December 31, 2019, Cascade's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate note (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's Office.

Budget Variances

Capital expenditures in 2019 related to the White River Lake Tapps project improvements, the Tacoma contract, and other major capital expenditures, were held within budget.

RCFC revenue was budgeted to be \$9.6 million in 2019, but actual RCFC revenue was \$5.9 million as one member, the City of Redmond, reported an unusually large number of credits in 2019 due to their largest customer, Microsoft, redeveloping and removing numerous large meters. Upon completion of the redevelopment many of the meters will be replaced with smaller meters and reported to Cascade as growth. Additionally, in 2019 Cascade's board passed a resolution that clarified that in the future credits due to redevelopment should be taken by the member when they are reporting the new meter. RCFC revenue is budgeted at \$9.2 million in 2020.

CASCADE WATER ALLIANCE

Management's Discussion and Analysis

Budget Variances (Continued)

Interest revenue in 2019 was \$0.58 million greater than budgeted as interest rates improved slightly after years of prevailing and persistent low interest rates nationally. Cascade's participation in King County's Pool Plus option, which is a pool of longer-term maturities that Cascade invested the Bond reserves in also contributed to better interest revenue in 2019.

The administrative and conservation dues were within budget in 2019.

Benefit costs in 2019 were 17% than budgeted because increases in Association of Washington Cities Employee Benefits Trust costs were less than anticipated.

Operation costs, \$2.3 million in 2019 were roughly the same as 2018.

Maintenance costs were \$16,619 higher in 2019 than 2018 due to additional milfoil control expenses in 2019.

There were no USACE reimbursements in 2019 as Cascade's reimbursement arrangement with the USACE ended in the second quarter of 2018.

Total fund expenditures were held within budgeted amounts in 2019. In the Operating Fund, conservation program rebate expenditures were \$74,437 less than budgeted due to the lower than anticipated interest in the commercial rebate program. Unexpended funds are carried forward in fund balances and are incorporated into Cascade's rate model for future year budgeting and planning.

Requests for Information

This financial report has been prepared to provide readers with a general overview of the Cascade Water Alliance's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Manager of Finance and Administration's Office, 520 112th Ave. NE, Suite 400, Bellevue, WA 98004.

CASCADE WATER ALLIANCE

**Statements of Net Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 13,546,108	\$ 11,760,550
Regional capital facility charges receivable	2,183,288	1,822,842
Restricted cash and cash equivalents, current portion	5,743,428	5,630,812
Interest rebate receivable		356,251
Water rights receivable, current portion	682,219	391,224
Prepaid expenses	<u>166,087</u>	<u>159,536</u>
Total Current Assets	22,321,130	20,121,215
Capital Assets Net of Accumulated Depreciation:		
Equipment and furniture	1,984,332	1,758,641
Seattle water contract	22,267,611	22,267,611
Tacoma water contract	119,740,687	119,740,687
SR900 pipeline	10,021,201	10,021,201
Bellevue Issaquah pipeline	22,276,944	22,276,944
Lake Tapps buildings	<u>2,644,405</u>	<u>2,644,405</u>
	178,935,180	178,709,489
Less accumulated depreciation and amortization	<u>(41,026,143)</u>	<u>(35,598,669)</u>
	137,909,037	143,110,820
Capital Assets Not Being Depreciated:		
Lake Tapps - infrastructure	99,743,325	99,599,607
Projects in process and assets not yet in service- Tacoma Cascade Pipeline	<u>16,518,184</u>	<u>16,935,929</u>
Total Capital Assets	254,170,546	259,646,356
Restricted cash and cash equivalents, net of current portion	21,743,761	22,122,339
Water rights receivable, net of current portion	<u>7,211,081</u>	<u>7,893,300</u>
Total Assets	<u>\$ 305,446,518</u>	<u>\$ 309,783,210</u>
Deferred Outflows of Resources:		
Advanced refunding of debt	<u>\$ 1,441,330</u>	<u>\$ 1,627,312</u>
Total Deferred Outflows of Resources	<u>\$ 1,441,330</u>	<u>\$ 1,627,312</u>

See accompanying notes.

CASCADE WATER ALLIANCE

Statements of Net Position (Continued)
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Net Position		
Payables and accrued liabilities	\$ 3,766,505	\$ 1,263,058
Payables related to Tacoma water contract, current portion	5,743,428	5,630,812
Long-term debt payable from unrestricted assets, current portion	<u>39,474</u>	<u>39,474</u>
	9,549,407	6,933,344
Payables From Restricted Assets:		
Accrued interest	1,961,538	2,499,695
Long-term debt payable from restricted assets, current portion	<u>5,325,000</u>	<u>5,830,000</u>
	<u>7,286,538</u>	<u>8,329,695</u>
Total Current Liabilities	16,835,945	15,263,039
Long-Term Debt, Net of Current Portion:		
Long-term debt payable from unrestricted assets	197,369	236,843
Long-term debt payable from restricted assets, net of bond issuance costs	<u>104,320,000</u>	<u>115,965,000</u>
	104,517,369	116,201,843
Other Long-Term Liabilities:		
Payable related to Seattle water contract, net of current portion	5,000,000	5,000,000
Payable related to Tacoma water contract, net of current portion	71,825,842	77,569,270
Bond premium, net of amortization	<u>11,263,480</u>	<u>6,161,615</u>
Total Liabilities	<u>\$ 209,442,636</u>	<u>\$ 220,195,767</u>
Deferred Inflows of Resources		
Net Position:		
Net investment in capital assets	\$ 62,145,537	\$ 55,687,234
Restricted for-		
Debt service	15,514,470	20,721,482
Unrestricted	<u>19,785,205</u>	<u>14,806,039</u>
Total Net Position	<u>\$ 97,445,212</u>	<u>\$ 91,214,755</u>

See accompanying notes.

CASCADE WATER ALLIANCE

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Water sales	\$ 36,412,424	\$ 34,595,643
Administrative dues	3,286,899	3,378,267
Conservation program and other	<u>821,152</u>	<u>911,993</u>
Total Operating Revenue	40,520,475	38,885,903
Operating Expenses:		
Cost of water sold	24,087,405	23,763,609
Depreciation and amortization	4,304,661	4,645,380
Operations	2,677,606	2,640,377
Salaries and benefits	2,192,918	2,076,480
Professional services	1,805,214	1,453,900
Communication and public information	476,885	436,068
Maintenance	320,226	299,615
Rent	225,469	225,469
Miscellaneous	290,686	147,935
Conservation rebate program	49,216	97,079
Insurance	108,396	110,185
Office expenses	96,025	80,649
Dues and subscriptions	<u>58,390</u>	<u>62,077</u>
Total Operating Expenses	36,693,097	36,038,823
Operating Income	3,827,378	2,847,080
Nonoperating (Expenses) Revenue:		
BAB rebate	712,502	1,092,179
Interest income	1,521,058	1,259,668
Interest expense	(5,701,919)	(6,359,819)
Gain (loss) on impairment of water rights	<u>798</u>	<u>(261,767)</u>
Total Nonoperating Expenses	(3,467,561)	(4,269,739)
Capital Contributions:		
Regional capital facilities charges	<u>5,870,640</u>	<u>10,478,726</u>
Total Capital Contributions	5,870,640	10,478,726
Total Change in Net Position	6,230,457	9,056,067
Net position, beginning of year	<u>91,214,755</u>	<u>82,158,688</u>
Net Position, End of Year	<u>\$ 97,445,212</u>	<u>\$ 91,214,755</u>

See accompanying notes.

CASCADE WATER ALLIANCE

**Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Cash received from members	\$ 40,520,475	\$ 38,885,903
Cash paid to suppliers	(26,259,299)	(26,973,893)
Cash paid to and for employees	(4,299,479)	(4,640,658)
Net Cash Provided by Operating Activities	9,961,697	7,271,352
Cash Flows From Capital and Related Financing Activities:		
Regional capital facilities charges	6,235,131	11,544,753
Water rights receivable	391,224	391,222
Tacoma water contract payable	(5,630,812)	
Proceeds from issuing long-term debt	49,430,000	
Payments on long-term debt	(55,370,908)	(5,644,473)
Acquisition of capital assets	(265,014)	(17,836,972)
Loss on impairment of water rights	798	261,767
Proceeds from disposition of land	417,745	803
BAB rebate proceeds	712,502	1,092,179
Interest rebate receivable	356,251	
Interest paid on bonds and other long-term debt	(6,240,076)	(6,483,999)
Net Cash Used in Capital and Related Financing Activities	(9,963,159)	(16,674,720)
Cash Flows From Investing Activities:		
Interest received	1,521,058	1,259,668
Net Cash Provided by Investing Activities	1,521,058	1,259,668
Net Change in Cash and Cash Equivalents	1,519,596	(8,143,700)
Cash and cash equivalents, beginning of year	39,513,701	47,657,401
Cash and Cash Equivalents, End of Year	\$ 41,033,297	\$ 39,513,701
Cash and Cash Equivalents Balance is Composed of the Following at December 31:		
Cash and cash equivalents	\$ 13,546,108	\$ 11,760,550
Restricted cash and cash equivalents	27,487,189	27,753,151
	\$ 41,033,297	\$ 39,513,701

See accompanying notes.

CASCADE WATER ALLIANCE

Statements of Cash Flows (Continued)
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Net operating income	\$ 3,827,378	\$ 2,847,080
Adjustments to reconcile net operating income to net cash provided by operating activities-		
Depreciation and amortization	4,304,661	4,645,380
Changes in operating assets and liabilities-		
Prepaid expenses	(6,551)	13,024
Payables and accrued liabilities	<u>1,836,209</u>	<u>(234,132)</u>
Net Cash Provided by Operating Activities	<u>\$ 9,961,697</u>	<u>\$ 7,271,352</u>
Supplementary Cash Flow Disclosure:		
Noncash purchases of fixed assets through accounts payable	\$ 129,081	\$ 56,457
Noncash change in advanced refunding of debt	\$ 185,982	\$ -

See accompanying notes.

CASCADE WATER ALLIANCE

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 1 - Organization and Summary of Significant Accounting Policies

Cascade Water Alliance (Cascade), established on April 1, 1999, converted from a Washington State nonprofit corporation to a Washington State joint municipal utility service corporation on July 12, 2012, in accordance with the Interlocal Cooperation Act (Chapter 39.34) and the Non-Profit Miscellaneous and Mutual Corporations Act (Chapter 24.06) as a public governmental body and an instrumentality of its members. Cascade exercises essential governmental functions by providing wholesale water to meet the current and future water supply needs of its members in a cost-effective and environmentally responsible manner.

Cascade members include the cities of Bellevue, Issaquah, Kirkland, Redmond and Tukwila, along with the Sammamish Plateau Water and Sewer District and the Skyway Water and Sewer District.

Basis of Accounting - Cascade uses the accrual basis of accounting and the total economic resources measurement focus. Expenses are recorded at the time liabilities are incurred, and revenues are recorded when earned.

Cash and Cash Equivalents - For purposes of the statements of cash flows, Cascade considers all highly liquid instruments purchased with an original maturity of three months or less and investments in the King County Treasurer’s Investment Pool to be cash equivalents.

As of December 31, 2019 and 2018, the King County Investment Pool (the Pool) which holds Cascade investments was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least “A” by two NRSROs), commercial paper (rated at least the equivalent of “A-1” by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

Concentrations - Of the total operating revenue balance as of December 31, 2019, 78% is from three members. As of December 31, 2018, 79% of the balance was from three members.

Concentration of Credit Risk - Cascade maintains cash balances at financial institutions that at times exceed federally insured limits.

Capital Assets - Capital assets purchased at more than \$5,000, are recorded at cost. Water systems conveyed to Cascade by bill of sale are recorded at the contributing party’s cost, contract price or appraised value. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are expensed when incurred. Estimated useful lives for capital assets are as follows:

Computer equipment	5 years
Furniture and equipment	3 - 7 years
Tractors and heavy machinery	10 - 20 years
Pipelines	50 years

Cascade has elected to use the modified approach of accounting for the infrastructure capital assets. The modified approach allows Cascade to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the infrastructure capital assets are capitalized.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

Regional Capital Facility Charges (RCFC) Receivable - RCFC receivables are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to change in net position and a credit to accounts receivable.

Deferred Outflow of Resources - Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involves no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to the advanced refunding of bonds.

Long-Term Debt - Long-term debt is reported net of discounts, premiums and issuance costs. Discounts, premiums and issuance costs incurred on issuance of long-term debt are amortized by the interest method over the period the related debt is outstanding. A portion of the long-term debt is funded by Build America Bonds and is eligible for an annual interest rebate of up to 35%. The amount of the subsidy payment for the Build America Bonds was increased to 6.9% through September 30, 2017, decreased to 6.6% effective October 1, 2017 through September 30, 2018, and then further reduced to 6.2% effective October 1, 2018. In 2019 Cascade received \$712,502 in Build America Bonds rebates. The Build America Bonds were refunded in September 2019 and no future rebates are due to Cascade.

Net Position - Net position is classified in the following three components: 1) Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. 2) Restricted - This component of net position consists of restrictions placed on net asset use by external creditors (such as through debt covenants), grantors or contributors. 3) Unrestricted net position - This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Revenues and Expenses - Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products in connection with the water system and services to members. Operating expenses include the costs associated with providing the products and services, general and administrative expenses and depreciation and amortization on capital assets. Nonoperating includes interest income rebates and expense, bond issuance costs, and losses on disposition of assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Regional Capital Facilities Charges (RCFC) - RCFCs are paid to Cascade by each member for each new equivalent residential unit connected to its water distribution system, and are intended to allocate growth costs to those members that require capacity increases due to growth in customer demand. The RCFC for 2019 and 2018 is \$6,416 and \$6,005, respectively per new Cascade Equivalent Residential Unit (CERU).

Federal Tax Status - Cascade Water Alliance is an authority and instrumentality of its governmental members, organized as a joint municipal utility service corporation pursuant to Washington State's Interlocal Cooperation Act (Chapter 39.34 RCW). As a governmental entity formed by political subdivisions of the State of Washington, it is exempt from federal income taxation under Section 115 of the Internal Revenue Code (the Code). As an instrumentality of its members, Cascade may issue obligations, the interest of which is exempt from federal income taxation under Section 103 of the Code.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

Use of Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses, as appropriate, during the reporting period. Actual results could differ from those estimates.

Compensated Absences - At termination of employment, employees may receive cash payments for accumulated vacation leave, based on current wages at termination for which an accrual has been provided.

Note 2 - Capitalizable Contracts

Seattle Water Contract - The Seattle Water Contract entitles Cascade to a specified amount (block) of water each year for a fifty year period ending December 31, 2053. The amount of the block can be amended based on new members joining Cascade prior to December 31, 2011, or a reduction in water yield available to Seattle due to an order of an appropriate federal or state regulatory agency. At the end of the contract term, Cascade may continue to purchase up to 5.3 million gallons per day (mgd) for members that cannot be economically served by any other means. In December 2008, this agreement was amended to entitle Cascade to a supplemental block of additional water through December 31, 2023.

In July 2013, a new contract was signed between the City of Seattle and Cascade which extends the contract by ten years, to 2063. The contract extends the current capacity of 30.3 mgd through 2039 and then ramps down through the remaining years. Under the contract extension, Cascade would make three scheduled capacity reservation payments to Seattle; the first payment of \$5 million was made in July 2013, with subsequent payments of \$12 million and \$5 million due in December 2018 and December 2024, respectively.

Amortization of the Seattle Water Contract cost is based on the ratio of water to be supplied in that calendar year to total water to be supplied during the contract. Amortization expense for this contract was \$561,775 for both years ended December 31, 2019 and 2018, respectively.

The Tacoma Water Contract - In December 2012, a water contract was signed between City of Tacoma and Cascade which superseded the Tacoma Water Contract signed in 2005. Under the water contract, minimum water purchase volumes have been replaced by a structured capacity reservation schedule, and a capacity commitment of 8.0 mgd is provided to Cascade through 2042. Cascade is required to make an annual installment payment in a range of \$1 million to \$6.8 million through 2042. The 2012 Tacoma Water Contract cost is amortized over the life of the contract which is 30 years. Amortization expense for this contract was \$3,991,356 for both years ended December 31, 2019 and 2018.

The system development charges relate to the base amount of water and the capacity reservation fees relate to the additional water to be supplied under the 2005 Tacoma Water Contract. The additional water supply will be amortized based on the ratio of the additional water to be supplied in that calendar year to total additional water to be supplied during the contract.

During 2011, the City of Bonney Lake entered into an agreement with Cascade for water rights purchase of the 2005 Tacoma Water Contract for a total of \$2,747,334. In 2013, City of Bonney Lake purchased an additional portion of water rights that extended the contract to 2019, with an annual payment of \$391,222 through maturity. At December 31, 2019 and 2018, the water rights receivable balance of \$0 and \$391,224, respectively, is included in the statements of net position.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 2 - Continued

During 2013, the City of Auburn entered into an agreement with Cascade for water rights purchase of the 2005 Tacoma Water Contract for a total of \$7,211,081 plus an annual interest at 3.20% starting in 2016 that expires 2029, with annual interest payments of \$252,586 from 2016 to 2019 and with annual principal and interest payments of \$934,805 thereafter. City of Auburn had an option to purchase all of the capacity reservation fees of the 2015 Tacoma Water Contract for a total price of \$1,427,864 with the option expiring June 2017. In 2017, Cascade was informed by the City of Auburn that they would not exercise their option to purchase 2.763 mgd worth of system development charge credits of the 6 mgd capacity reservation fee in Cascade's 2005 contract with Tacoma. With Auburn electing not to purchase the credits the remaining \$1,427,864 of the 2005 Tacoma Contract was written down in 2017, resulting in a loss on impairment of water rights of \$354,649. At both December 31, 2019 and 2018, the water rights receivable was \$7,893,300, is included in the statements of net position.

Interest Capitalization - Interest costs incurred for the acquisition and/or construction of assets are subject to capitalization based on the guidelines established by U.S. GAAP.

Total interest incurred on bonds for the years ended December 31, 2019 and 2018, was \$5,742,857 and \$6,350,339, respectively. The interest rebate related to the Build America Bonds was \$712,502 and \$1,092,179, respectively, for the years ended December 31, 2019 and 2018. No interest was capitalized in 2019 and 2018.

Project in Process -

Tacoma Cascade Pipeline - A pipeline extending from the Tacoma Water supply pipelines is under development to connect to the Bellevue Issaquah pipeline and deliver the Tacoma water supply to Cascade members. During the year ended December 31, 2009, management opted to defer completion of this project. The Transmission and Supply Plan was adopted by Cascade in July 2012 (and approved by King County in February 2013 and by the State Department of Health in March 2013) and projects 2024 as the estimated in-service date for this pipeline.

Eastside Reservoir - The Eastside Reservoir is a concrete reservoir and booster pump station constructed and owned by the City of Seattle to serve Cascade's members. The purchase of the Eastside Reservoir by Cascade was considered probable when the Tacoma Cascade Pipeline was moving forward and the project designs were capitalized. When the completion of the Tacoma Cascade Pipeline was deferred on December 31, 2009, plans to purchase the reservoir were deferred as well. In addition to its use as a potential storage facility for Tacoma water, Cascade is currently evaluating the purchase of the Eastside Reservoir as a method of providing earthquake resiliency to its members.

Note 3 - Cash and Cash Equivalents

In accordance with state investment laws, Cascade's governing body has entered into a formal interlocal agreement with Cascade's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). Investments in the King County Investment Pool are measured at the net asset value per share of the pool shares held by Cascade. As of December 31, 2019, the net asset value at fair value price per share was \$1.0043.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 3 - Continued

As of December 31, Cascade had the following on deposit in the pool:

	<u>2019</u>	<u>2018</u>
Unrestricted cash and equivalents	\$ 13,491,407	\$ 11,815,875
Restricted cash and equivalents	<u>27,408,022</u>	<u>27,824,649</u>
	40,899,429	39,640,524
Add fair value adjustment	137,319	(114,129)
Less checks in excess of cash	<u>(3,451)</u>	<u>(12,694)</u>
Total Cash and Cash Equivalents	<u>\$ 41,033,297</u>	<u>\$ 39,513,701</u>

Impaired Investments - As of both December 31, 2019 and 2018, all impaired commercial paper investments had completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. Additionally, the Impaired Pool accepted the cash out option for the residual investments in four commercial paper assets that were part of completed enforcement events. At December 31, 2019 and 2018, Cascade's share of the impaired investment pool principal was \$42,033 and \$52,596, respectively, and Cascade's fair value of these investments was \$28,287 and \$37,268, respectively.

Interest Rate Risk - As of December 31, 2019 and 2018, the Pool's average duration was .92 and .94 years, respectively. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity or weighted average life of no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk - As of both December 31, 2019 and 2018, Cascade's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's Office.

Note 4 - Restricted Cash and Cash Equivalents

In accordance with the bond agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Current year disbursements from the restricted asset accounts are included in total expenditures in the financial statements.

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 4 - Continued

Restricted cash and cash equivalents are presented in the statements of net position as of December 31 as follows:

	<u>2019</u>	<u>2018</u>
Restricted cash and cash equivalents, current portion	\$ 5,743,428	\$ 5,630,812
Restricted cash and cash equivalents, long-term	<u>21,743,761</u>	<u>22,122,339</u>
	<u>\$ 27,487,189</u>	<u>\$ 27,753,151</u>

Changes in restricted assets for the year ended December 31, 2019, are as follows:

	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Net Return</u>	<u>Balance 12/31/2019</u>
Revenue bond funds	\$ 20,682,977	\$ 16,894,900	\$ (22,485,708)	\$ 394,984	\$ 15,487,153
Construction funds	<u>7,070,174</u>	<u>14,080,483</u>	<u>(9,279,495)</u>	<u>128,874</u>	<u>12,000,036</u>
	<u>\$ 27,753,151</u>	<u>\$ 30,975,383</u>	<u>\$ (31,765,203)</u>	<u>\$ 523,858</u>	<u>\$ 27,487,189</u>

For the year ended December 31, 2019, changes in restricted assets included interest earnings of \$367,196 and unrealized gains of \$27,788 for the revenue bond funds and interest earnings of \$77,494 and unrealized gains of \$51,379 for the construction funds.

Changes in restricted assets for the year ended are as follows:

	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Net Return</u>	<u>Balance 12/31/2018</u>
Revenue bond funds	\$ 18,181,141	\$ 14,082,650	\$ (11,793,358)	\$ 212,544	\$ 20,682,977
Construction funds	<u>16,361,332</u>	<u>8,595,962</u>	<u>(18,050,514)</u>	<u>163,394</u>	<u>7,070,174</u>
	<u>\$ 34,542,473</u>	<u>\$ 22,678,612</u>	<u>\$ (29,843,872)</u>	<u>\$ 375,938</u>	<u>\$ 27,753,151</u>

For the year ended December 31, 2018, changes in restricted assets included interest earnings of \$258,498 and unrealized losses of \$45,954 for the revenue bond funds and interest earnings of \$188,938 and unrealized losses of \$25,544 for the construction funds.

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 5 - Capital Assets

The following summarizes the changes in capital assets of Cascade:

	Balance 12/31/2018	Additions	Transfers	Deletions	Balance 12/31/2019
Capital Assets					
Being Depreciated:					
Equipment and furniture	\$ 1,758,641	\$ 255,171	\$ -	\$ (29,480)	\$ 1,984,332
Seattle water contract	22,267,611				22,267,611
Tacoma water 2012 contract	119,740,687				119,740,687
SR900 pipeline	10,021,201				10,021,201
Bellevue Issaquah pipeline	22,276,944				22,276,944
Lake Tapps buildings	2,644,405				2,644,405
Total Capital Assets					
Being Depreciated	178,709,489	255,171		(29,480)	178,935,180
Less accumulated depreciation and amortization	(35,598,669)	(5,451,362)		23,888	(41,026,143)
Depreciable Capital Assets, Net	143,110,820	(5,196,191)		(5,592)	137,909,037
Capital Assets Not					
Being Depreciated:					
Lake Tapps - infrastructure	99,599,607	143,718			99,743,325
Tacoma Cascade Pipeline	16,935,929			(417,745)	16,518,184
Total Capital Assets Not					
Being Depreciated	116,535,536	143,718		(417,745)	116,261,509
Total Capital Assets	\$ 259,646,356	\$ (5,052,473)	\$ -	\$ (423,337)	\$ 254,170,546

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 5 - Continued

	Balance 12/31/2017	Additions	Transfers	Deletions	Balance 12/31/2018
Capital Assets					
Being Depreciated:					
Equipment and furniture	\$ 1,659,422	\$ 104,219	\$ -	\$ (5,000)	\$ 1,758,641
Seattle water contract	22,267,611				22,267,611
Tacoma water 2012 contract	119,740,687				119,740,687
SR900 pipeline	10,021,201				10,021,201
Bellevue Issaquah pipeline	22,276,944				22,276,944
Lake Tapps buildings	2,644,405				2,644,405
Total Capital Assets Being Depreciated	178,610,270	104,219		(5,000)	178,709,489
Less accumulated depreciation and amortization	(30,174,701)	(5,428,968)		5,000	(35,598,669)
Depreciable Capital Assets, Net	148,435,569	(5,324,749)			143,110,820
Capital Assets Not Being Depreciated:					
Lake Tapps - infrastructure	99,278,915	320,692			99,599,607
Tacoma Cascade Pipeline	16,927,223	8,706			16,935,929
Eastside reservoir	262,567			(262,567)	
Total Capital Assets Not Being Depreciated	116,468,705	329,398		(262,567)	116,535,536
Total Capital Assets	\$ 264,904,274	\$ (4,995,351)	\$ -	\$ (262,567)	\$ 259,646,356

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 6 - Long-Term Debt - Unrestricted

Long-term debt payable from unrestricted assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
<u>Public Works Trust Fund Loans (PWTF)</u>		
\$1,000,000 loan authorized, payable in equal annual principal payments based on the amount of the loan drawn to the payment due date with the first payment due July 2006 and the last payment due July 2025, plus interest at .50%, secured by net revenues.	\$ 236,843	\$ 276,317
Less current portion	<u>(39,474)</u>	<u>(39,474)</u>
Long-Term Portion	<u>\$ 197,369</u>	<u>\$ 236,843</u>

The estimated annual debt service requirements on long-term debt, payable from unrestricted assets are as follows:

For the Year Ending December 31,	<u>Principal</u>	<u>Interest</u>
2020	\$ 39,474	\$ 1,184
2021	39,474	987
2022	39,474	789
2023	39,474	592
2024	39,474	395
2025	<u>39,473</u>	<u>197</u>
	<u>\$ 236,843</u>	<u>\$ 4,144</u>

Long-term debt, payable from unrestricted assets, activity was as follows:

	<u>Balance 12/31/2018</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance 12/31/2019</u>
Loan #PW-05-691-PRE-142	\$ 276,317	\$ -	\$ (39,474)	\$ 236,843
	<u>\$ 276,317</u>	<u>\$ -</u>	<u>\$ (39,474)</u>	<u>\$ 236,843</u>
	<u>Balance 12/31/2017</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance 12/31/2018</u>
Loan #PW-05-691-PRE-142	\$ 315,790	\$ -	\$ (39,473)	\$ 276,317
	<u>\$ 315,790</u>	<u>\$ -</u>	<u>\$ (39,473)</u>	<u>\$ 276,317</u>

CASCADE WATER ALLIANCE

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 7 - Long-Term Debt - Restricted

Long-term debt outstanding payable from restricted assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
<u>Revenue Bonds</u>		
\$29,220,000 issued on August 5, 2014 for advanced refunding of the 2006 bonds and to pay the costs of issuing and selling the bonds. The bond is payable from and secured by a pledge of net revenues and assets held in the bond fund and construction fund; principal due serially through the year 2029, interest payable semi-annually at 4.00 annual percentage rate.	\$ 24,025,000	\$ 25,840,000
\$42,695,000 issued on December 27, 2012 for restructuring the Tacoma water contract in 2012, extending the Seattle water contract, acquiring independent supply production capacity, funding Lake Tapps capital improvements and cost of issuing the bond. The bond is payable from and secured by a pledge of net revenues and investments held in the bond fund and construction fund; principal due serially through the year 2038, interest payable semi-annually at 3.31 annual percentage rate.		58,555,000
\$49,430,000 issued on September 1, 2019 for refunding of the 2009 bonds and to pay for capital projects related to the Transmission and Supple Plan. The bond is payable from and secured by a pledge of net revenues and investments held in the bond fund and construction fund; September 1, 2036, interest payable semi-annually 5.0 annual percentage rate.	49,430,000	
\$80,095,000 issued October 15, 2009 for supporting capital program, providing for a debt service reserve and cost of issuing the bonds. The bonds are payable from and secured by a pledge of net revenues and investments held in the bond fund and construction fund.		
- \$4,940,000 term bonds due September 1, 2017, interest payable semi-annually 3.61 annual percentage rate.		
- \$75,155,000 due serially through September 1, 2034, with interest payable semi-annually 3.61 annual percentage rate.	<u>36,190,000</u>	<u>37,400,000</u>
	109,645,000	121,795,000
Less current portion	<u>(5,325,000)</u>	<u>(5,830,000)</u>
Total Long-Term Portion	<u>\$ 104,320,000</u>	<u>\$ 115,965,000</u>

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 7 - Continued

The 2019 bonds were issued at a premium of \$6,248,566 which is being amortized over the life of the bonds. Amortization expense for the year ended December 31, 2019 was \$410,114.

The 2014 bonds were issued at a premium of \$4,396,430 which is being amortized over the life of the bonds. Amortization expense for the years ended December 31, 2019 and 2018 was \$445,138 and \$480,368, respectively.

The 2012 bonds were issued at a premium of \$5,764,037 which is being amortized over the life of the bonds. Amortization expense for the years ended December 31, 2019 and 2018 was \$291,449 and \$303,218, respectively.

The 2009 bonds were issued at a premium of \$761,955 which is being amortized over the life of the bonds. Amortization expense for both the years ended December 31, 2019 and 2018 was \$0.

The 2006 bonds were issued at a premium of \$1,857,106 which is being amortized over the life of the bonds. Amortization expense for both the years ended December 31, 2019 and 2018 was \$0.

On September 3, 2014, Cascade issued \$29,220,000 of Water System Refunding Revenue Bonds. The net proceeds of \$44,363,880 (after issuance costs of \$130,224) were used to advance refund a portion of the 2006 Series Revenue Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from Cascade's liabilities. This advanced refunding was undertaken to reduce total debt service payments over the next 15 years by \$17,630,530 and resulted in an economic gain of \$5,462,625. The net deferred amount of the advanced refunding was \$1,441,330 and \$1,627,312 as of December 31, 2019 and 2018, respectively.

On September 4, 2019, Cascade issued \$49,430,000 of System Improvement and Water System Refunding Revenue Bonds. The net proceeds of \$50,133,836 (after issuance costs of \$181,692 and bond reserves applied of \$5,324,459) were used to advance refund a portion of the 2009 Series Revenue Bonds and fund 5,181,693 in future Capital Improvement Plan projects. These bonds were not advance refunded.

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 7 - Continued

The estimated annual debt service requirements on long-term debt payable from restricted assets are as follows:

For the Year Ending December 31,	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,325,000	\$ 4,480,749
2021	5,560,000	4,226,331
2022	5,835,000	3,944,081
2023	6,125,000	3,647,831
2024	6,430,000	3,352,356
2025 - 2027	21,120,000	8,174,944
2028 - 2030	21,010,000	5,279,769
2031 - 2033	17,060,000	3,279,550
2034 - 2036	15,870,000	1,725,275
2037 - 2038	5,310,000	268,750
	<u><u>\$ 109,645,000</u></u>	<u><u>\$ 38,379,636</u></u>

Debt payable from restricted assets, activity was as follows:

	<u>Balance 12/31/2018</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance 12/31/2019</u>
Revenue bonds	\$ 115,965,000	\$ 49,430,000	\$ (61,075,000)	\$ 104,320,000

	<u>Balance 12/31/2017</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance 12/31/2018</u>
Revenue bonds	\$ 121,795,000	\$ -	\$ (5,830,000)	\$ 115,965,000

Note 8 - Commitments

Lease Commitments - Cascade leases office space under a noncancelable lease agreement expiring in July 2023. The lease calls for payments of \$17,768 per month through July 2018, increasing to \$18,306 per month in August 2018, with additional annual stepped increases after the first year.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 7 - Continued

Future minimum rentals as of December 31 under noncancelable operating leases are as follows:

For the Year Ending December 31,

2020	\$	228,827
2021		235,288
2022		241,749
2023		<u>143,219</u>
Total Minimum Rental Payments	\$	<u>849,083</u>

Rent expense for operating leases totaled \$225,469 for the years ended December 31, 2019 and 2018.

Contracts - Cascade has entered into contracts with various vendors in relation to ongoing consulting services, construction services and financial services that extend beyond December 31, 2019.

Contracted services agreed to and expected to be expended in 2019 include the following:

Construction and design services	\$	451,612
Consulting contracted services		<u>4,507,715</u>
	\$	<u>4,959,327</u>

Note 9 - Retirement Benefits

Cascade provides a Section 401(a) defined contribution retirement plan (the Plan) to all full-time and certain part-time employees. Employees contribute 4% of their annual salary. Cascade contributes 7% of an employee's salary. In addition, as a replacement of the contribution to Social Security, employees contribute an additional 6.2% of their annual salary. Cascade contributes an additional 6.2% up to the limit (\$8,240 in 2019 and \$7,979 in 2018) established by the Internal Revenue Service. Employees are immediately vested upon enrollment and, therefore, have no forfeitures.

Employee and employer contributions were \$210,522 and \$175,751, respectively, for the year ended December 31, 2019 and 2018 and \$159,514 and \$193,831, respectively, for the year ended December 31, 2018. As of December 31, 2019 and 2018, accrued expenses under the Plan totaled \$8,161 and \$1,822, respectively.

Cascade also provides a Section 457 retirement plan available to certain employees who make salary deferral contributions up to the maximum allowed by law. No employer contributions were made to the Section 457 retirement plan. Employee salary deferrals were \$211,999 and \$166,501 for the years ended December 31, 2019 and 2018, respectively.

CASCADE WATER ALLIANCE

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Concentrations

All water purchases by Cascade were from the City of Seattle as further described in Note 2. Water sales, conservation revenues, administrative dues, regional capital facilities charges and contributions for member cities for the years ended December 31, 2019 and 2018 are as follows:

2019 Member Charges-					Regional Capital Facilities Charges	Total
Members	Water Sales	Conservation Revenues	Administrative Dues			
Bellevue	\$ 19,039,956	\$ 320,761	\$ 1,283,940	\$ 2,457,328	\$ 23,101,985	
Issaquah	1,737,818	71,792	287,370	1,055,432	3,152,412	
Kirkland	5,153,278	94,535	378,404	1,260,744	6,886,961	
Redmond	6,493,173	158,696	635,226	(978,440)	6,308,655	
Sammamish	1,096,443	115,980	464,243	1,623,248	3,299,914	
Skyway	388,227	18,770	75,132	25,664	507,793	
Tukwila	2,503,529	40,618	162,584	426,664	3,133,395	
	<u>\$ 36,412,424</u>	<u>\$ 821,152</u>	<u>\$ 3,286,899</u>	<u>\$ 5,870,640</u>	<u>\$ 46,391,115</u>	

2018 Member Charges-					Regional Capital Facilities Charges	Total
Members	Water Sales	Conservation Revenues	Administrative Dues			
Bellevue	\$ 18,157,825	\$ 321,628	\$ 1,355,360	\$ 2,645,202	\$ 22,480,015	
Issaquah	1,551,469	68,638	289,247	1,318,098	3,227,452	
Kirkland	4,959,980	91,216	384,389	1,249,040	6,684,625	
Redmond	6,086,748	154,010	649,009	3,041,533	9,931,300	
Sammamish	976,988	109,094	459,730	2,023,685	3,569,497	
Skyway	377,939	18,152	76,496	36,030	508,617	
Tukwila	2,484,694	38,926	164,036	165,138	2,852,794	
	<u>\$ 34,595,643</u>	<u>\$ 801,664</u>	<u>\$ 3,378,267</u>	<u>\$ 10,478,726</u>	<u>\$ 49,254,300</u>	

Note 11 - Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations.

CASCADE WATER ALLIANCE

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 12 - Risk Management

Cascade Water Alliance is a member of the Water and Sewer Risk Management Pool (the Risk Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Risk Pool was formed on November 1987 when water and sewer districts in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Risk Pool currently has 61 members and a fiscal year of November 1st through October 31st.

The Risk Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Risk Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverages are on an “occurrence” basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

Type of Coverage	Member Deductible	Self-Insured Retention/Group	Excess limits
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler and Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	\$10,000,000

CASCADE WATER ALLIANCE

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 12 - Continued

Type of Coverage	Member Deductible	Self-Insured Retention/Group	Excess limits
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$25,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible, which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2018, written notice must be in possession of the Pool by April 30, 2018). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Services and Adjusters Northwest.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

CASCADE WATER ALLIANCE

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 12 - Continued

Members make an annual contribution to fund the Risk Pool. The Risk Pool purchases insurance policies from unrelated underwriters as follows:

Type of Coverage	Member Deductible	Self-Insured Retention	Excess Limits
Property Loss:			
Buildings and contents	\$ 1,000	\$ 25,000	\$ 1,000,000,000
Flood	See (a) below	See (a) below	\$ 50,000,000
Earthquake	See (b) and (c) below	See (b) and (c) below	\$ 75,000,000
Terrorism	\$ 1,000	\$ 25,000	\$ 100,000,000
Boiler and machinery	\$ 1,000	\$ 25,000 - \$350,000	\$ 100,000,000
Auto - physical damage	\$ 1,000	\$ 25,000	\$ 10,000,000
Liability:			
Comprehensive general liability	\$ 1,000 (c) and (d)	\$ 200,000	\$ 10,000,000
Auto liability	\$ 1,000	\$ 200,000	\$ 10,000,000
Public officials errors and omissions	\$ 1,000	\$ 200,000	\$ 10,000,000
Employment practices	\$ 1,000	\$ 200,000	\$ 10,000,000
Other:			
Public officials bonds	Various	N/A	Various
Crime	\$ 1,000	\$ 25,000	\$ 2,000,000
Identity fraud	\$ -	\$ 25,000	\$ -

- a. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.
- b. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.
- c. In addition to the \$75,000,000 of shared earthquake coverage amongst pool members Cascade shares a \$10,000,000 policy with Sammamish Plateau Water that in the event that the earthquake did less than \$5,000,000 in damage to one of the parties then the other party would be able to collect the remaining available funds.
- d. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.

Risk Pool members are responsible for a deductible on each coverage and the Risk Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible which exceeds \$25,000.

CASCADE WATER ALLIANCE

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 12 - Continued

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2019, written notice must be in possession of the Risk Pool by April 30, 2019). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Risk Pool, a member is still responsible for contributions to the Risk Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Risk Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Services.

The Risk Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Risk Pool and providing policy direction to the Risk Pool's Executive Director.

In the past three years (2018, 2017, and 2016), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

Note 13 - Subsequent Events

Cascade evaluated its December 31, 2019 financial statements for subsequent events through June 17, 2020, which is the date the consolidated financial statements were available to be issued. In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to year end, the World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, employees of Cascade are working remotely and eliminating non-essential business travel. The extent of the impact of COVID-19 on Cascade's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact Cascade's financial condition or results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CASCADE WATER ALLIANCE

Required Supplementary Information For the Years Ended December 31, 2019 and 2018

Modified Approach for Infrastructure Capital Assets

In accordance with GASB Statement No. 34, Cascade is required to account for and report infrastructure capital assets. Cascade defines infrastructure as the basic physical assets used by Cascade in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the White River/Lake Tapps Reservoir Project (the Lake Tapps Project) can be divided into several distinct facilities: White River divergence; conveyance and sediment control systems; Lake Tapps Reservoir and embankments; outlet structure to forebay; penstocks; hydroelectric station; and tailrace and return to White River. For ease of defining the Lake Tapps Project, these facilities have been consolidated into three main subsystems: Upper Conveyance System (the White River divergence and conveyance and sediment control facilities); Reservoir and Embankments (or the Storage System consisting of the Lake Tapps Reservoir and dike facilities); and Lower Conveyance System (all facilities from the Lake Tapps outlet structure to the tailrace return to the White River). Subsystem detail is not presented in the basic financial statements; however, Cascade maintains detailed information on these subsystems.

Cascade has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Lake Tapps Project. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- Cascade manages the eligible infrastructure capital assets using an asset management system with characteristics including: (1) an up-to-date inventory; (2) performance of condition assessments and summarization of the results using a measurement scale; and (3) an estimate of the annual amount required to maintain and preserve at the established condition assessment level.
- Cascade documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Capital Assets Assessment Prior to Cascade Ownership - In September 2006, prior to entering into the Asset Purchase Agreement with Puget Sound Energy, Inc. (PSE), Cascade received an Engineering Report (prepared by CH2MHill for Buck and Gordon, LLP and Cascade) which, among other things, included a Facility Condition Assessment and Capital Improvement Plan for the Lake Tapps Project. The condition assessment was based on a review of available documents (such as design documents, condition inspections conducted by or for PSE and operation and maintenance evaluations), cursory field inspections and observation and interviewing site (PSE) personnel. The report described the condition of major facilities constituting the Upper and Lower Conveyance Systems and recommended improvements. The following categories of improvements were used:

- Initial Capital Upgrade (ICU): Projects need to be completed immediately to allow proper operation, to reduce the rate of deterioration or to protect health and safety (by 2010).
- Short Term Improvement (STI): Projects recommended, but not necessary to maintain the current conditions of facilities (between 2011 and 2018).
- Long Term Improvement (LTI): Projects that should be replaced at the end of their projected useful life (between 2019 and 2050).
- Maintenance (M): Projects typically included in annual maintenance programs.

See independent auditor’s report.

CASCADE WATER ALLIANCE

**Required Supplementary Information
For the Years Ended December 31, 2019 and 2018**

Modified Approach for Infrastructure Capital Assets (Continued)

The following is a listing of the major Lake Tapps Project facilities in the Upper Conveyance and Lower Conveyance Systems, with the category of facility improvement recommended by CH2MHill in 2006:

Upper Conveyance System:

Headworks Area Buildings	M; ICU; STI
Headgates	ICU; LTI
Rock Chutes	STI
Concrete Lined Canal	M
Timber Flume	LTI
6-Foot Outlet (Wolslegal Basin)	None
Fish Screen	STI
Twin Pipelines	M; STI; LTI

Lower Conveyance System:

Tunnel Inlet/Lake Outlet	ICU
12-Foot Concrete Tunnel	LTI
“Bear Pit” Overflow Shaft	LTI
Forebay Caisson and Building	M; LTI
Penstocks/Standpipes/Surge Chambers	ICU; STI; LTI
Powerhouse	ICU

In 2008, the Washington Department of Ecology’s Dam Safety Office (DSO) published the First Periodic Dam Safety Inspection Report for the Lake Tapps Project (Dikes 1 through 15). DSO inspected the Lake Tapps dikes in August 2007 and the report included an evaluation and analysis of the condition of the dikes and Printz Basin Backflow Prevention Structure.

The DSO report concluded that the dikes and the Backflow Prevention Structure “...appeared to be in good condition and the project meets current engineering standards for dam design and construction with regard to floods and earthquakes”. A few deficiencies were found and are summarized below:

- Refinements are necessary to the monitoring routines for Dikes 9,10 and 12;
- Dike 3 requires improvement to address potential for internal soil erosion, in conjunction with a proposed roadway improvement by Pierce County;
- Discharge capacity of the project may need to be increased to accommodate both the Local and General Storm Probable Maximum Flood;
- Relocating or adding weirs and adding seepage monitoring to Dike 8; and
- Completion of maintenance items, such as vegetation removal.

In 2012, DSO conducted the Second Periodic Dam Safety Inspection. Cascade addressed the issues raised by DSO.

See independent auditor’s report.

CASCADE WATER ALLIANCE

Required Supplementary Information For the Years Ended December 31, 2019 and 2018

Modified Approach for Infrastructure Capital Assets (Continued)

DSO conducted a Dam Safety Inspection in February and July 2017. Overall, the condition of the dikes was considered Satisfactory, with no existing or potential safety deficiencies identified. Minor issues to be corrected to improve the maintenance and operation of the dikes were identified. Cascade addressed these issues in 2018.

Capital Assets Assessment Since Cascade Ownership - The Lake Tapps Project was been operated by PSE, under contract to Cascade, from when Cascade acquired the Project from PSE in 2009. Cascade selected Veolia Water North America (Veolia) as its long-term contract operator for the project in January 2011. Veolia entered into the Transition Phase of the contract in January 2012 (observing PSE operation and training staff) and assumed all operation and maintenance responsibilities on April 16, 2012. During the Transition Phase (April through December 2012), Veolia, in addition to performing all necessary operation and maintenance activities:

- Developed Operation and Maintenance Manuals for all Project facilities;
- Selected and implemented a Maintenance Management System (MMS) for the Project; and
- Developed the 2013 Operations and Maintenance Budget for Cascade's approval.

The Manuals and 2013 budget were approved by Cascade and were the basis for Veolia's performance during 2013. The initial contract term was through 2016. Cascade extended the contract term for one additional five year period (through 2021) and may extend for one more additional period of up to five years. Annual revisions to the Manuals and Budget for 2014 through 2019 were negotiated and agreed upon and are the basis for Veolia's performance during these years.

Since 2009, Cascade has conducted additional work including:

Facility Conditions Assessments:

- Contracted with AECOM to perform a condition assessment of certain Project facilities;
- Contracted with GeoEngineers to assess the condition of the dikes;
- Contracted with Carollo to develop security master plan; and
- Contracted with Carollo Engineers to perform condition assessment on Lower Conveyance System.

Repair/Maintenance/Upgrade Activities:

- Contracted with NAES to repair and upgrade the Fish Screen Facility;
- Performed inspections and effected repairs to the Timber Flume and Twin Pipelines;
- Performed removal of sediment from settling basins during the 2010/2011, 2014/2015 outages and 2017 outages;
- Implemented DSO recommended monitoring routines on Dikes 9,10 and 12;
- Implemented DSO recommendations on Dike 8 and Dike 10;
- Implemented seismic remediation project on Dike 3 in 2014/2015;
- Installed and upgraded piezometers in all Dikes and installed remote read capability on Dike 11;
- Installed test wells for movement along Dike 17;
- Demonstrated available discharge capacity;

See independent auditor's report.

CASCADE WATER ALLIANCE

Required Supplementary Information For the Years Ended December 31, 2019 and 2018

Modified Approach for Infrastructure Capital Assets (Continued)

- Completed PMP/PMF study;
- Performed repairs and inspection of the Barrier Structure in 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018;
- Repaired the ecology block wall on Dike 13 in 2013;
- Repaired Tailrace "wingwall" adjacent to railroad crossing in 2011;
- Performed repairs on Dikes 2B, 3 and 11 in 2012;
- Performed repairs on Dikes 1, 3, 4 and 12 in 2013;
- Improved and upgraded Project security (fences, gates, locks, cameras, lighting, etc.);
- Inspected and repaired fencing, gates, alarms and cameras;
- Improved and upgraded gaging stations;
- Repaired pipeline and valve leaks;
- Implemented plan for Powerhouse roof replacement;
- Replaced roofs on Headworks area buildings;
- Removed Gatekeeper residence and related outbuildings;
- Repaired pipeline and valve leaks;
- Implemented plan for Powerhouse roof replacement;
- Replaced roofs on Headworks area buildings;
- Removed Gatekeeper residence and related outbuildings;
- Upgraded SCADA system;
- Developed plan to comply with L&I/DOSH recommendations; implementation is ongoing;
- Removed hazardous wastes from Powerhouse;
- Removed lead paint in Powerhouse;
- Installed electric meters and disconnected power to non-essential equipment;
- Removed and salvaged unnecessary or retired/obsolete equipment;
- Purchased new forklift;
- Upgraded and replaced culverts at headworks and valve house;
- Stockpiled sand for emergencies at strategic locations;
- Replaced telephone system;
- Performed HPA required plantings along Tailrace and on Dike 11;
- Conducted inspections of all cranes and performed necessary maintenance and repairs;
- Headworks trolley removed as part of Mud Mountain Dam Fish Passage Project;
- Implemented Lower Conveyance System repairs/improvements recommended by Carollo, including replacement of Tunnel Intake Trash Racks and Stop Logs, concrete repairs, maintenance of Tunnel Intake slide gate and replacement of fill gate; maintenance of Forebay slide gates, relief valve repairs and flow tube repairs;
- Contracted with HDR Engineering to design Timber Flume replacement and Headgate improvements;
- Completed replacement of the Timber Flume, including repairs to an existing section of concrete flume;

See independent auditor's report.

CASCADE WATER ALLIANCE

Required Supplementary Information For the Years Ended December 31, 2019 and 2018

Modified Approach for Infrastructure Capital Assets (Continued)

- Completed implemented Headgate Improvement Project;
- Repaired floor of concrete flume at Headgates;
- Performed repairs to slide gates at 6 foot valve in Dingle Basin;
- Inspected and performed repairs to ten 10 foot tunnels;
- Performed maintenance on Fish Screens;
- Installed new LED lighting in Powerhouse;
- Performed lead abatement measures, painting and repairs at Headworks structures;
- Installed new Valve No.3;
- Repaired Relief Valve No. 1;
- Repaired leak in Penstock No. 1 and 3;
- Replace barrier boom at Tunnel Intake Cove;
- Performed routine maintenance and repairs on vehicles, pumps, valves and generators;
- Performed routine maintenance and repairs on roads;
- Performed routine vegetation removal;
- Completed SCADA Master Plan;
- Contracted with RH2 for design of SCADA and Phase 2 of Security Improvements;
- Designed and advertised a construction project to raise Dike 12 by 2 feet;
- Repaired 66" cone valve at the Valve House;
- Contracted with Parametrix for On-Call Civil, Mechanical and Structural Engineering Services;
- Utilized new chemical treatment for milfoil control of Lake Tapps Reservoir;
- Performed minor repair on Dike 13 to minimize;
- Replaced roof and gutters on Relief House;
- Replaced Gate House windows;
- Removed trees in settling basins;
- Removed trees in twin 10' tunnel corridors;
- Identified and fixed leak in twin 10' tunnels;
- Conducted condition assessment and repaired valves in Valve House; and
- Cleared storm drains in Tailrace.

These activities expanded upon the CH2MHill assessment and implemented some of the recommendations from Carollo, CH2MHill, AECOM, GeoEngineers and DSO.

See independent auditor's report.

CASCADE WATER ALLIANCE

**Required Supplementary Information
For the Years Ended December 31, 2019 and 2018**

Modified Approach for Infrastructure Capital Assets (Continued)

Capital Assets Funding - Based on the condition assessment work completed to date, Cascade has included funding for ongoing maintenance and repair of Lake Tapps Project Capital Assets in its annual operating budget as well as funding for upgrading and replacement of Lake Tapps Project Capital Assets in its Capital Improvement Plan (CIP). The Operation and Maintenance Budget and CIP for Cascade's 2019-2020 Biennium are summarized below:

Lake Tapps Project Operation and Maintenance Budget:	
2020	\$ 3,615,764
2021	4,186,720
Lake Tapps Project CIP Budget:	
2020	\$ 2,545,000
2021	3,755,000
2022	2,985,000
2023	4,645,000

The Operation and Maintenance Budget and CIP for Cascade's 2019 - 2020 Biennium were adopted by the Board in September 2018.

The estimated and actual annual amount to maintain the infrastructure assets is summarized below:

For the Year Ending December 31,	<u>Estimate</u>	<u>Actual</u>
2014	\$ 2,553,450	\$ 3,071,494
2015	3,006,460	4,083,528
2016	2,076,415	2,461,900
2017	3,144,200	2,787,424
2018	3,245,700	3,523,118
2019	3,535,650	3,671,895

See independent auditor's report.

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APPENDIX G

ADDITIONAL CREDIT EVALUATION CONSIDERATIONS

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Introduction

Cascade Water Alliance (“Cascade”), like other water systems, seeks a competitive cost of capital to deliver high quality, affordable services to its customers. Yet in today’s market, credit ratings and the cost of capital in the water sector may not reflect risk and resilience characteristics that contribute to the financial health of water systems. For example, there is currently little differentiation in the market between systems with strong asset management practices, proactive water demand management, resilient supply sources, and low energy-intensity, despite the fact that such characteristics make systems more flexible in responding to volatile economic and environmental conditions. Consequently, utilities that are building sustainable systems may not benefit from the cost of capital that would be justified by a more systematic analysis of their relative risk.

Current markets do reflect perceived risks associated with changing physical, legal and economic environments. Yet because there is little data for investors to compare the actual risk or resilience of systems to sector trends such as water competition, asset replacement needs and extreme weather, risk premiums are less likely to be driven by data and more likely to be shaped by market biases. Addressing data gaps in the market is essential if capital providers are to support strong management practices and resilient systems.

To support alignment of the market with emerging best practices, Cascade has endeavored to develop and pilot additional credit evaluation considerations for water systems. These considerations consist of the following seven elements:

- Institutional Stability and Management
- Demand Management
- Dependability of Water Supplies
- Full-Cost Pricing
- Affordability of Water
- Asset Management
- Energy Intensity of Water Treatment and Delivery

Institutional Stability and Management

Municipal Corporation. On July 12, 2012, Cascade converted to a municipal corporation under the 2011 Joint Municipal Utility Services Act, chapter 39.106 RCW. In 1999, the Members entered into an interlocal agreement (the “Interlocal Agreement”) to form a nonprofit corporation with authority as a watershed management partnership under the Interlocal Cooperation Act, chapter 39.34 RCW. The 2011 Washington Legislature enacted the Joint Municipal Utility Services Act to improve the mechanism for cooperation among local government utilities that provide water, wastewater, stormwater and/or flood control services. On March 28, 2012, the Board approved an amendment to the Interlocal Agreement in order to convert Cascade to a Joint Municipal Utility Services Authority under the 2011 Joint Municipal Utility Services Act. Following ratification by the Members’ legislative authorities and filing with State Secretary of State, Cascade became the State’s first Joint Municipal Utilities Services Authority and a municipal corporation.

Supply Commitment to Members. The Joint Municipal Utilities Services Agreement (the “Joint Agreement”) provides that Cascade will provide for each Member’s water needs, as projected in the Cascade Water Supply Plan and as agreed to by that Member, from the Supply System, net of Independent Supply and subject to the other limitations established in the Joint Agreement, on a parity with all other Full Supply Commitments, and with a guaranteed priority no lower than for any other Supply Commitment made by Cascade.

Step Up Provisions. The strength of the Members underpins Cascade’s own strength. Of the seven Members, four (the cities of Bellevue, Kirkland, Redmond, and the Sammamish Plateau Water & Sewer District) currently have AAA ratings from Standard & Poor’s. Together, these four Members contributed 87 percent of Cascade’s Gross Revenues in 2018. All Cascade Members are subject to step-up requirements to enhance Cascade’s financial security and its ability to meet its financial obligations. See “MEMBER COVENANTS UNDER THE JOINT AGREEMENT – Member Step Up Provisions.”

Board Decision Structure. All Board actions must be approved by Dual Majority Vote of all Members, except where the Joint Agreement requires a 65 percent Dual Majority Vote and in certain cases ratification by the same percentage of Member legislative bodies. The Executive Committee has the authority, if necessary, to avoid default on any bond, to withdraw from any capital reserve fund or rate stabilization fund, an amount equal to the amount

necessary to avoid a default and to authorize payment of that amount to avoid default. The standing committees of the Board are governed by the Open Public Meetings Act and have been established as follows:

- Finance and Management Committee. The finance and management committee is responsible for the ongoing oversight of the administrative, business systems, and other management and financial affairs of Cascade, including the annual outside audit.
- Resource Management Committee. The resource management committee considers and makes recommendations to the Board on matters relating to planning and development of water supply resources, operations and maintenance, water quality, and water conservation.
- Public Affairs Committee. The public affairs committee considers and makes recommendations to the Board on matters relating to general outreach, public information and communication programs, community outreach and relationships, public relations, intergovernmental affairs, state and federal affairs, and membership.

Examples of Major Board Initiatives. In 2011, Cascade developed and adopted a Strategic Plan based on Cascade’s vision for the future with the assistance of Cascade’s employees, Board, Members, and the community. The initiative confirmed that a goal-oriented environment is in place within all functional areas, which enables Cascade to establish an efficient and effective future organizational strategy that focuses on improving its competitive position within the Puget Sound region. This plan was updated in 2013, following completion of major contract negotiations. It was again updated in 2019.

In 2011, Cascade adopted a new model for allocating Cascade’s costs to the Members. Existing water contracts have been established to secure future water supply capacity for the Members. The new cost allocation model, which focuses less on usage-based Member charges, eliminates disadvantages in the prior cost allocation model for Members that lack significant independent supply.

In 2013, Cascade entered into new and amended supply contracts with Seattle and Tacoma extending wholesale supply sources and making other modifications, allowing up to a 15 year deferral of construction of the Lake Tapps water supply.

In 2018, Cascade adopted a budget initiating a Cascade resiliency program to improve readiness for major disruptive events such as earthquakes.

Management Team and Organizational Structure. Cascade maintains a unique organizational structure and business model that allows for quick and efficient decision making. Cascade’s CEO has a good understanding of the water industry and is respected throughout the nation. Cascade has experienced and highly competent employees. The organization is successful at leveraging limited staff resources to provide high-quality services professionally and efficiently. Cascade has a well-engaged Board, whose members work well together and a transparent governmental process that facilitates open communication with Members.

Fiscal Policies. Cascade’s fiscal policies were adopted by the Board in 2003 and amended by the Board in 2012 and 2018. The fiscal policies focus on three primary objectives: financial integrity and stability; rate equity among members; and efficiency and conservation. Traditional content is related to budgeting, accounting, investing and reporting. In addition, specific policies define: equity funding from Regional Capital Facilities Charges (“RCFCs”) for growth and from rates for repair and replacement; 10 and 20 year rate planning; 5-year rate smoothing through use of the rate stabilization fund; and a policy-based coverage requirement of 1.25 (in excess of the 1.00 bond covenant requirements). In aggregate, the fiscal policies promote conservative and stable financial management and consideration of the long-term strategic requirements of Cascade.

Demand Management

In November 2018, the Board adopted a four-year extension to the Transmission and Supply Plan (the “TSP”), originally adopted July 2012, which demonstrates how Cascade will meet the water demands of its Members through 2060. This comprehensive plan builds on the initial Cascade TSP adopted in 2004. The TSP evaluates the historical and current water demand of the Members and forecasts future demand. A flexible portfolio of supply sources are recommended to meet the forecast demand.

Cascade used an econometric modeling approach to statistically correlate water demand with factors that influence demand. Inputs to the forecasting model included: water production; water billing; temperature; precipitation;

population; number of households (single family and multi-family); household income; employment; marginal price of water; and passive and active conservation measures. This established an average day and peak week baseline demand forecast for residential (gallons per household per day) and non-residential (gallons per employee per day) water needs.

Weather conditions, the type of residential development (single family homes use more water than multi-family homes) and type of employment (industrial establishments use more water than commercial/institutional establishments) directly impact water demand. National studies indicate that as income increases water demand also increases. However, national studies also indicate that water use decreases as the price of water increases.

Conservation savings can be achieved by establishing State or Federal water use standards for plumbing fixtures and other activities. These savings will be achieved as new development proceeds and as older fixtures are replaced (passive conservation). Other conservation savings will be achieved as individual utilities develop and implement additional conservation programs (active conservation). Cascade has incorporated projected savings from both types of conservation into its forecast of future demand.

An uncertainty analysis was performed to generate a range of possible future water need scenarios. Six inputs (considered to have the most impact on water demand) were included in the uncertainty analysis: number of households; number of employees; temperature; precipitation; marginal price of water; and household income. A probabilistic range of projected demand was produced based on a range of values for the key inputs. A Monte Carlo simulation was then used to establish a range of demand forecasts based on random draws from this data set. The uncertainty analysis also randomly selected from a range of climate change conditions (the climate change scenarios used were developed by the Climate Impacts Group at the University of Washington for the King County Climate Change Technical Committee).

In addition to this uncertainty analysis, Cascade also considered the potential impact of local groundwater supplies being lost (to contamination or regulatory actions), more severe impacts of climate change and high growth in areas not served by one of the major regional water suppliers and included a contingency amount to address these situations. This analysis resulted in a baseline forecast of demand for the Members, a forecast considering climate change and a forecast considering climate change and a regional contingency.

Flattening trends in water consumption in the Puget Sound region and the reduced growth resulting from the economic recession caused Cascade to make further downward adjustments in the demand forecast. Recent growth and short-term growth projections from the Members were used to adjust the forecast through 2020 when the growth rate was assumed to return to that predicted by the econometric model.

Cascade anticipates that actual demand (average day and peak week) will fall within the range defined by the adjusted mean and the 95 percent exceedance forecast, which accounts for possible increased demand due to climate change, as well as water savings due to continuing conservation efforts. Cascade's supply portfolio is designed to provide adequate supply to meet needs within this range.

Demand conditions have shifted in the Puget Sound region in recent years. After decades of rapid growth in population and water needs, all of the regional water suppliers in the central Puget Sound area have experienced flat or even reduced demand during the past decade despite ongoing population and employment growth. With the effects of the recent recession and housing downturn possibly lingering for many years into the future, it is possible that even the adjusted forecast may overstate future demand.

Dependability of Water Supplies

For supply planning, this means that the risk equation has changed. In the past, suppliers in the region faced the risk of growth outpacing supply, but today an equally critical risk is that new water supply projects may be built too soon and burden ratepayers with unnecessary costs. Since the region as a whole currently appears to have an abundance of supply, Cascade will continue to seek partnerships among regional water suppliers to use existing supplies and infrastructure for as long as possible. If demand remains flat or grows only slowly, it may be possible to delay some of the projects that Cascade has shown in its supply portfolio, thereby spreading costs over a longer time and reducing rate impacts and future borrowing needs.

The TSP process was designed to identify a viable portfolio of water sources that would provide Cascade with a secure, reliable, economical and flexible supply through at least 2050. Cascade conducted a multi-criteria evaluation of 28 source options, ranking each based on financial, operational, environmental, implementation and regional/intergovernmental considerations as well as reliability. These source options were combined into portfolios

that could be developed over time to meet the forecast demand of the Members. The key features of the preferred portfolio are continued use of Member Independent Supplies, existing wholesale water purchase contracts and development of Lake Tapps as a long-term water supply to meet Member needs through 2060. In addition, the preferred portfolio incorporates additional wholesale purchase and development of smaller supplies (such as reclaimed water) that can be developed relatively quickly and provide flexibility. As a result of the updated demand forecast in the TSP extension, Cascade now enjoys adequate water supplies for a 20-year period without development of the White River-Lake Tapps Reservoir Project (WRLTRP) or other sources. The development of the WRLTRP may occur as early as the mid-to late 2030s, although continued pursuit of contractual commitments from existing regional supplies could further delay this project.

To address the risk of projects being built too soon, Cascade has restructured existing wholesale purchase agreements with Seattle Public Utilities (“Seattle”) and Tacoma Water (“Tacoma”). These amendments better match Cascade’s existing water needs; provide longer term access to wholesale water; and provide additional flexibility for Cascade as well as Seattle and Tacoma. See “CASCADE WATER ALLIANCE – Water Supply and Transmission.”

Cascade has once again initiated contract extension discussions with Seattle and exploratory discussions with Tacoma and the city of Everett regarding further supply commitments from existing resources. Cost-effective contract extensions can continue to provide reliable service to Cascade’s Members while deferring the addition of a new regional resource until appropriate both for Cascade and its regional partners.

The fact that Cascade has secured water rights to develop Lake Tapps as a municipal water supply enables these discussions to proceed. With the ability to construct the Lake Tapps project, Cascade, Seattle and Tacoma can fully utilize existing sources of supply. Restructuring of the existing wholesale contracts has pushed back the need for new transmission pipelines and the Lake Tapps Project by 15 years, and current regional supply and demand trends could enable further extensions and project deferrals.

Full-Cost Pricing

As a wholesale supplier of water, Cascade was organized by the Members to provide a stable and predictable revenue stream. Cascade is a utility enterprise that recovers all of its costs from Member Charges. Cascade’s wholesale charges are based on Member customer base and a three-year rolling average of Member wholesale water demands. With the exception of RCFCs, all of Cascade’s revenues are established by Board adoption of annual charges to Members. To mitigate annual variation in RCFC revenues, RCFCs are deposited into a separate RCFC account, and use of these funds is based on available fund balance without reliance on current year receipts. RCFC fund balances are used for cash funding of capital projects and repayment of debt in accordance with fiscal policies.

Cascade’s adopted fiscal policies focus on three primary objectives: financial integrity and stability; rate equity among Members; and efficiency and conservation. In aggregate, the fiscal policies promote conservative and stable financial management and consideration of long-term strategic requirements of the utility. Cascade also has adopted rate and RCFC methodologies that delineate the rate structure and restrict the use of growth-related RCFC charges.

In the Pacific Northwest, water resources are primarily seasonally constrained due to weather patterns and limited storage capacity. Given this, Cascade’s rates are specifically based on Member peak season demands, thus encouraging efficient use of available resource capacity. Peak season demand, in million gallons per day (“MGD”), defines the allocation of most costs to Members. This encourages the off-peak use of Cascade resources at little or no cost to Members, and is intended to generate conjunctive benefits of independent supplies. Similarly, Cascade has restructured and re-oriented its conservation program to increase peak season savings and enhance the return on conservation investments. Through efficient pricing and targeting critical demand metrics, Cascade is working to more efficiently use existing resources and defer new capacity investments.

Cascade’s fiscal policies also require annual updates to a 10 year rate forecast and require a 20 year forecast on a six year cycle. In practice, Cascade maintains a rate and financial forecast model extending more than 70 years in order to plan through generations of capacity investments. Through this extended outlook, Cascade decision analysis can examine and compare long-term trends in revenue requirements, capital funding needs, risk, and costs for Members and their customers as related to isolated or programmatic decisions. Cascade’s practices have regularly incorporated business analysis and risk assessment as central elements of prudent decision-making.

Since its inception, Cascade has recognized the long-term nature of its investments and service obligations. Cascade has established a consistent basis for decision-making consistent with those longer term requirements, with some of the results including:

- Annual rate increases averaging over 5 percent per year since formation, consistent with long-term forecasts and trends;

- A rate policy directing 5 year rate smoothing that results in rate increases in anticipation of future needs and use of the rate stabilization reserve to regulate related rate patterns. This continues to lead to orderly annual increases consistent with longer term revenue needs;
- Specific policies to create equity accumulation for capital projects through dedicated (restricted) funding from RCFCs and rates, including a new dedicated Water Supply Equity Fund to accumulate funds for Lake Tapps development;
- Increases in RCFCs (growth charges) to more completely reflect capacity investment requirements; and
- Revised Member charge features to enhance equity among members and generational equity given changes in demands and strategies.

Affordability of Water

Cascade and its Members have remained cognizant of the importance of reliable water supply and cost barriers which threaten its availability for low-income households. In 2018, Cascade undertook and completed an affordability study which benchmarks retail water/sewer affordability in the Cascade service area and evaluates existing rates and assistance programs that impact affordability.

Cascade continues to evaluate specific measures to improve affordability of these essential services, including retail rate lifeline features, expansion and simplification of utility bill assistance programs, and reductions in system development charges (RCFCs) for homeless shelters and qualified affordable housing. Cascade is coordinating with Members on these matters, while also working with other (non-water) utilities to coordinate and streamline customer access to rate assistance.

Asset Management

As utilities face the challenges of managing in an era of uncertainty, it is essential that they establish a framework within which they make rational decisions. These decisions will find the appropriate balance between risk and consequences. Cascade has chosen an asset management approach to decision making to accomplish the goal of determining risks, measuring consequences and choosing a path forward providing its Board with both certainty and flexibility.

Cascade defines “asset management” as meeting agreed upon customer and environmental service levels while minimizing life cycle costs.

Cascade is developing a decision making framework and culture that assures long term water supply using a triple bottom line model which addresses supply, social and environmental costs and benefits. This leads to decisions which emphasize certainty of supply while still managing rates and costs in a rational way. To do this Cascade is addressing the following nine areas.

Customer and Environmental Service Levels. Cascade through its Board has adopted both customer service and environmental service levels for the Members. These are reflected not only in the regulatory processes Cascade is involved in but also in agreements it has in place with the Puyallup and Tulalip Tribes, the homeowners surrounding Lake Tapps (Cascade’s future water supply), and the cities that surround Lake Tapps (Auburn, Sumner, Bonney Lake and Buckley). Cascade has agreed upon seasonal Lake Tapps levels with the community; reached consensus on White River instream flows and ramping rates for fish habitat; and entered into agreements with the cities that surround Lake Tapps. All of these agreements helped Cascade assure regulatory certainty first, by allowing Cascade to receive approval of a permanent water right and second, to minimize any potential issues when Cascade needs to construct transmission and treatment facilities.

Risk Assessment and Quantifiability. Cascade has adopted a method of scenario planning which incorporates risk assessment based on quantification (where appropriate) to analyze future risk and consequences. This has proven particularly important in looking at long-term water and demand planning, long-term water supply contracts and capital and operating investment decisions. This has led Cascade to rebalance its future water supply portfolio options which not only assure water supply for the next 100 years, but also optimize future rate scenarios (while still incorporating full cost pricing) and provide portfolio adjustment flexibility for future policy makers.

Life Cycle Cost Analysis Using Triple Bottom Line. Cascade uses a business case approach when making project decisions. This takes into account triple bottom line (financial, social, environmental) cost and benefits and total lifecycle (capital, operations and maintenance, disposal) analysis of an asset. By considering these elements, only projects delivering high value will be selected for implementation. It also allows Cascade to choose alternatives which maximize rate payer value during the life of the decision.

Long Range Planning. Cascade has also adopted a formal long-term Strategic Plan which drives budget and decision making. This plan includes an operational implementation plan updated every two years with the Shortage Plan updated every five years.

Asset and Data Systems. Cascade has adopted a formal Computer Managed Maintenance System (“CMMS”) (using ORACLE Work and Asset Management) to set a foundation for optimizing all asset decisions. A CMMS package maintains a computer database of information about an organization’s maintenance operations. This includes asset costs, maintenance history, age, condition assessment, asset usage, and other factors. By tracking this information, better management decisions can be made so that maintenance workers can do their jobs more effectively and future repair versus replacement decisions can be optimized, thereby optimizing the rate impacts for customers.

For those assets in which condition assessment and asset data has been collected, asset replacement schedules have been put in place with budget appropriations. For example, the 2,300’ timber flume structure was condition assessed during a 2010 flow line outage and was replaced in 2015. The initial condition assessment was performed in 2006 by CH2M Hill with an associated capital budget stream. Another assessment is anticipated for the lower conveyance facilities in 2016.

Cascade began implementing an electronic document management system (“EDMS”) in 2013. The process included the inventory and integration of all documents, plans and specifications, and pictures obtained from Puget Sound Energy and developed by Cascade since its inception. Implementation continued through 2017 in a phased-in approach. The EDMS improved document storage, access, security, and retrieval.

Rational Rates and Affordability. Cascade continues to adopt rates which incorporate principles of full cost pricing and to formally review both intergenerational equity and affordability issues. See “Affordability of Water” above.

Cascade has updated its fiscal policies to assure future rate and economic stability. Cascade also continues to use a five-year rate smoothing policy to assure needed revenue while minimizing wide rate swings and provide more certainty on rates for decision makers. The Board remains committed to approving rates which implement its long-range strategic direction.

Optimize Organizational Structure, Decision Making and Roles and Responsibilities. Cascade has a unique organizational structure which allows for not only high quality decision making but also timely decision making. Contrary to many organizations, Cascade has a small staff, but utilizes many outside resources. This model, together with well documented policies and procedures (such as a recently developed procurement guidebook), allows Cascade management and staff to make quick and efficient decisions. Providing well thought out, transparent information assists the Board in efficient decision making. This direction continues a joint private/public model for Cascade which assures efficiency and effectiveness of both our analytical capability and timeliness of decision.

Normal Capital and Operational Decision Making Processes. Cascade is unusual in the public sector in that it has fully developed a zero-based budget process. This allows Cascade to continually evaluate the effectiveness of its program and costs while at the same time continue to set and accomplish priority activities. Cascade’s zero-based budget starts with a blank slate, upon which the following are added to develop a full biennial budget: (i) funding for strategic initiatives as identified in the current Board-adopted Strategic Plan; (ii) funding for specific and approved departmental non-capital work initiatives; (iii) funding for capital improvement program items; and (iv) funding and other incidental expenditures necessary to support the work identified above.

The Board continues to make both capital and operating decisions and policy decisions consistent with the Strategic Plan while allowing Cascade staff to make implementation decisions.

Track and Measure Results. Cascade has developed an annual work plan approach to implementing the Board’s Strategic Plan. This work plan is reviewed by the Board to assure consistency with Board policy objectives. The results are reported to the Board annually and are the basis of CEO and staff performance. These results also allow clarity of purpose and responsibilities between the Board and staff.

Energy Intensity of Water Treatment and Delivery

Cascade experiences energy requirements well below typical or average utility systems. A significant portion of both Cascade’s current infrastructure and contract supply sources are gravity rather than pumped systems, with little energy cost related to moving water. For future treatment investments, Cascade can assure that all appropriate efficiency measures can be included in the design. Cascade additionally expects to have opportunities for hydroelectric energy generation from its Lake Tapps supply system when developed as a supply source as a means to offset related system energy needs. Cascade is also exploring solar power opportunities at its properties and facilities.

