1. CALL TO ORDER
2. ROLL CALL
3. PUBLIC COMMENT
4. EXECUTIVE SESSION
5. APPROVAL OF AGENDA
6. CHIEF EXECUTIVE OFFICER’S REPORT
7. DISCUSSION ITEM
   a. Cascade’s Budget and Rates.
8. COMMITTEE REPORTS
   a. Executive Committee – no meeting held.
   b. Finance and Management Committee – no meeting held.
   c. Public Affairs Committee – no meeting held.
   d. Resource Management Committee – no meeting held.
9. NEW BUSINESS
10. NEXT REGULAR MEETING – September 23, 2020 – Held via Zoom Meeting or Cascade’s Office – 3:30 p.m.
11. ADJOURN
2021-2022 Budget & Rates
Special Board of Directors Meeting
August 10, 2020
The operating and capital budgets are not driving the proposed rate increases.

One-time large expenses (Transmission Supply Plan and Flowline Outage) have no impact on rates.

Significant, permanent budget cuts are needed to have a noticeable rate impact.

The biggest rate driver is lower RCFC revenue (roughly $2.8M per year).

Rate increases are needed to begin accumulation for development of Lake Tapps in the near term and to retain favorable bond terms.
ACTIONS TAKEN TO MINIMIZE RATE INCREASE

- Reduced overall O&M costs with a zero-based budgeting approach. Reduced $692K in 2021 from: conservation, water quality, milfoil treatment, succession planning, economic services, seismic resiliency and legal services.
- Froze the 2021 Veolia budget.
- Reduced the 2021 capital budget by $786K and deferred large capital projects to 2023 and later.
- Reduced the six-year Capital Risk budget by $400K.
- Refinanced the 2009B revenue bonds.
- Benefitted from favorable Seattle true-up costs.
- Provided rate scenarios for the Board’s consideration.
## IMPACTS OF ALTERNATE RATE SCENARIOS

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2021/2022 Annual Rate Increase</th>
<th>2035-2041 Ave. Annual Rate Increase</th>
<th>Lake Tapps Debt (Phase 1)</th>
<th>Net Decision Cost</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Financial Strategy</td>
<td>3.0% per year</td>
<td>9.0%</td>
<td>$1.209B</td>
<td>n/a</td>
<td>$0.51</td>
<td>$0.50</td>
</tr>
<tr>
<td>B) Expediency *</td>
<td>0% per year</td>
<td>19.6%</td>
<td>$1.524B</td>
<td>$315M</td>
<td>($0.09)</td>
<td>($0.14)</td>
</tr>
<tr>
<td>C) Shared Benefits</td>
<td>2.20% per year</td>
<td>9.8%</td>
<td>$1.260B</td>
<td>$51M</td>
<td>$0.35</td>
<td>$0.33</td>
</tr>
<tr>
<td>D) 0% 2021 4.0% 2022</td>
<td>2021 0%</td>
<td>9.7%</td>
<td>$1.246B</td>
<td>$37M</td>
<td>($0.09)</td>
<td>$0.68</td>
</tr>
</tbody>
</table>

*Requires borrowing in 2020's to meet Tacoma payment obligations*
# Comparison of Rate Scenario Impacts of Cascade Rates on Member Rates

<table>
<thead>
<tr>
<th>Monthly Increase Per SF Residential</th>
<th>Bellevue</th>
<th>Issaquah</th>
<th>Kirkland</th>
<th>Redmond</th>
<th>Sammamish Plateau</th>
<th>Skyway</th>
<th>Tukwila</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Financial Strategy</td>
<td>0.77</td>
<td>0.57</td>
<td>(0.76)</td>
<td>0.83</td>
<td>0.24</td>
<td>1.13</td>
<td>0.80</td>
</tr>
<tr>
<td>3.0% per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>B) Expediency</td>
<td>(0.03)</td>
<td>(0.22)</td>
<td>(1.07)</td>
<td>0.43</td>
<td>(0.48)</td>
<td>0.39</td>
<td>0.23</td>
</tr>
<tr>
<td>*0% per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C) Shared Benefits</td>
<td>0.56</td>
<td>0.35</td>
<td>(0.85)</td>
<td>0.75</td>
<td>0.05</td>
<td>0.93</td>
<td>0.65</td>
</tr>
<tr>
<td>2.2% per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D) 0% 2021</td>
<td>(0.03)</td>
<td>0.81</td>
<td>(1.07)</td>
<td>0.93</td>
<td>(0.48)</td>
<td>1.34</td>
<td>0.23</td>
</tr>
<tr>
<td>4.0% 2022</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*Requires borrowing in 2020’s to meet Tacoma payment obligations*
1. **Rate Options**: Is the Board comfortable with a staff recommendation for “Shared Benefit” with 2.2% per year (projected to apply for 5 years)

2. **Use of RCFCs**: Does the Board support committing RCFCs entirely to construction until Lake Tapps development?

3. **2 Year Rates**: Would the Board again adopt 2 years of rates (with 3rd year true-up)

4. **2 Year RCFCs**: Would the Board adopt 2 years of RCFCs (at $6,807 and $6,950)

5. **Funding Lake Tapps Supply Development**: Should staff develop a policy proposal to create a Lake Tapps Equity fund for safeguarding funds, monitoring progress and providing transparency and accountability?
Is the Board comfortable with staff’s recommendation for “Shared Benefit” with 2.2% per year?

- The average monthly increase per single-family residential is $0.35 in 2021 and $0.33 in 2022.
- This scenario projects rates to remain at 2.2% from 2021-2025.*
- Cascade is also comfortable the 0% in 2021 and 4% in 2022. Rate increases return to 3% per year from 2023-2025.*

* If RCFC growth stagnates (substantially below 1,000/year), rate forecasts after 2022 may need to be revised upwards to maintain solvency.
QUESTION 2: USE OF RCFCS

Does the Board support committing RCFCs entirely to construction until Lake Tapps development?

• Currently 25% of RCFCs is used for debt service and 75% for construction.

• All the rate scenarios, except 0% in both 2021 and 2022, assume committing all RCFCs to construction.

• Cascade proposes allocating 100% to construction starting in 2021 to fund the CIP and Lake Tapps.
QUESTION 3: TWO-YEAR RATES

Would the Board again adopt two years of rates?

- This includes a true-up in the third year.
- Regardless of what happens to the general economy over the next year, Cascade needs a rate increase in 2022.
QUESTION 4: TWO-YEAR RCFCs

Would the Board adopt 2 years of RCFCs?

- 2020 - $6,607
- 2021 - $6,807
- 2022 - $6,950
- Two-year RCFCs provides certainty for the development community.
QUESTION 5: FUNDING LAKE TAPPS SUPPLY DEVELOPMENT

Should staff develop a policy proposal to create a Lake Tapps Equity fund for safeguarding funds, monitoring progress and providing transparency and accountability?