



SPECIAL MEETING OF THE BOARD OF DIRECTORS

AGENDA

CASCADE WATER ALLIANCE

Held Via Zoom Meeting

August 10, 2020

1:00 PM

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

RATE INCREASE SUMMARY

- 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

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

**Requires borrowing in 2020's to meet Tacoma payment obligations*

Comparison of Rate Scenario Impacts of Cascade Rates on Member Rates

<u>Monthly Increase Per SF Residential</u>	<u>Bellevue</u>		<u>Issaquah</u>		<u>Kirkland</u>		<u>Redmond</u>		<u>Sammamish Plateau</u>		<u>Skyway</u>		<u>Tukwila</u>	
	Scenario	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
A) Financial Strategy 3.0% per year	0.77	0.57	(0.76)	0.83	0.24	1.13	0.80	0.34	0.76	(0.43)	0.35	0.57	(0.19)	1.42
B) Expediency * 0% per year	(0.03)	(0.22)	(1.07)	0.43	(0.48)	0.39	0.23	(0.26)	0.61	(0.69)	0.06	0.20	(1.00)	0.62
C) Shared Benefits 2.2% per year	0.56	0.35	(0.85)	0.75	0.05	0.93	0.65	0.19	0.72	(0.47)	0.27	0.49	(0.41)	1.19
D) 0% 2021 4.0% 2022	(0.03)	0.81	(1.07)	0.93	(0.48)	1.34	0.23	0.52	0.61	(0.38)	0.06	0.66	(1.00)	1.66

**Requires borrowing in 2020's to meet Tacoma payment obligations*

BOARD POLICY DECISIONS TO CONSIDER (*STAFF RECOMMENDATIONS IN ITALICS*)

- 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?*

QUESTION 1: RATE OPTIONS

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?