

Water Supply Development Fund Status

July 2022

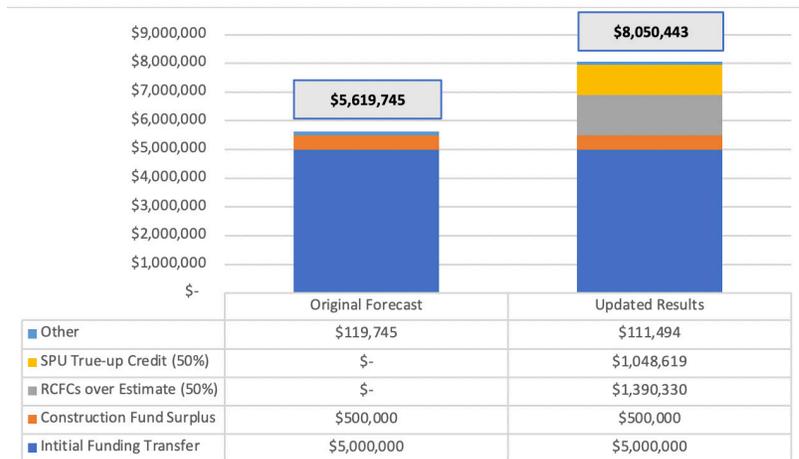
Overview

Developing the Lake Tapps Reservoir as a source of drinking water will be a major financial undertaking when the time comes to construct the project. Cascade’s Board of Directors created the WSDF in November 2021 as a structured means to accumulate cash to meet the 20% cash share requirement for the project and to mitigate financial impacts. The Board can also use the WSDF to pay for other water supply needs, such as constructing transmission pipes, if Cascade were to contract with another purveyor.

This report summarizes the current state of the WSDF and future projections and will be updated biennially. All information assumes the current plan of having the Lake Tapps Reservoir operational by 2042. Overall, the current forecast for the WSDF has improved from prior forecasts. While the risk of escalated project costs may push towards more aggressive funding, the possible deferral of construction may help offset this by allowing more relaxed funding.

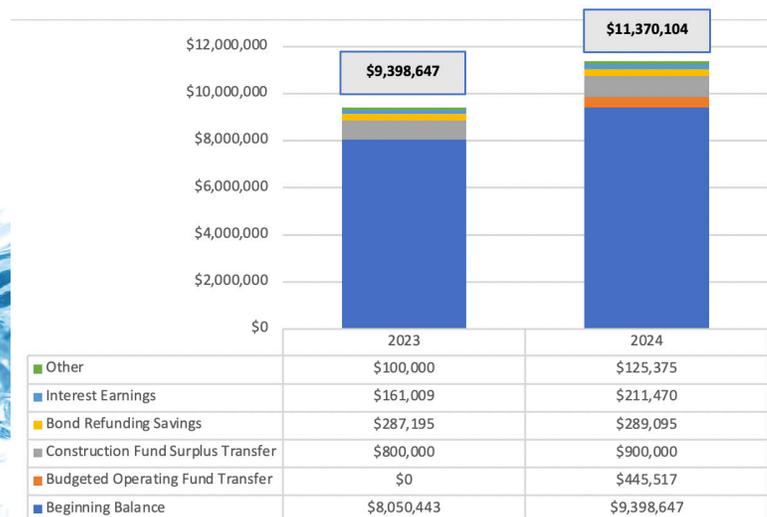
Original vs. Current Fund Balance

The current WSDF fund balance of \$8.05M is \$2.43M higher than the original 2021 forecast. This is largely due to higher-than-planned Regional Capital Facility Charge (RCFC) revenue and the SPU true-up cost credits.



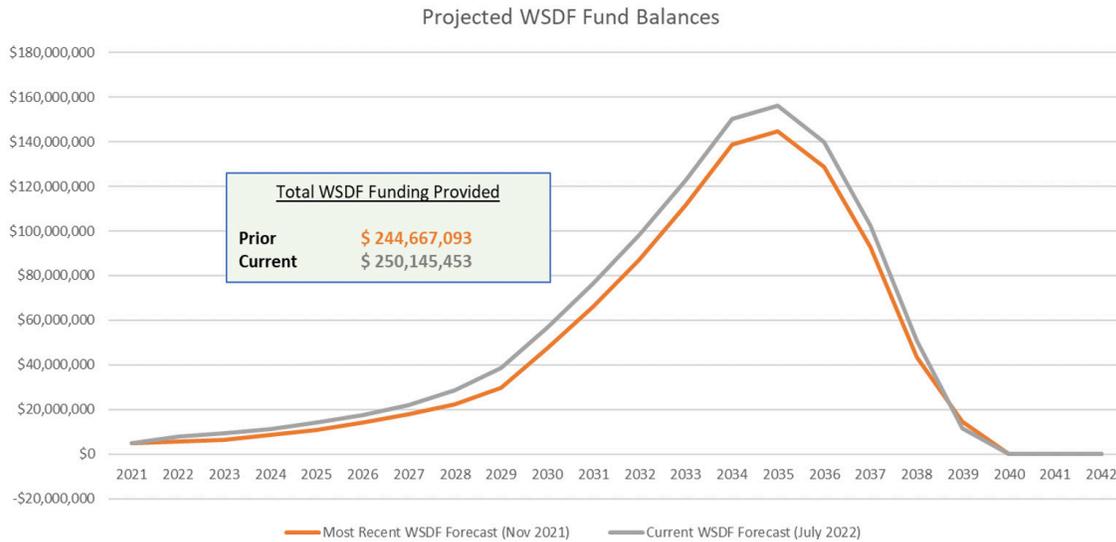
Projected Fund Balances for 2023-2024

Over the next biennium, Cascade projects the WSDF fund balance to rise to nearly \$9.40M in 2023 and \$11.37M in 2024.



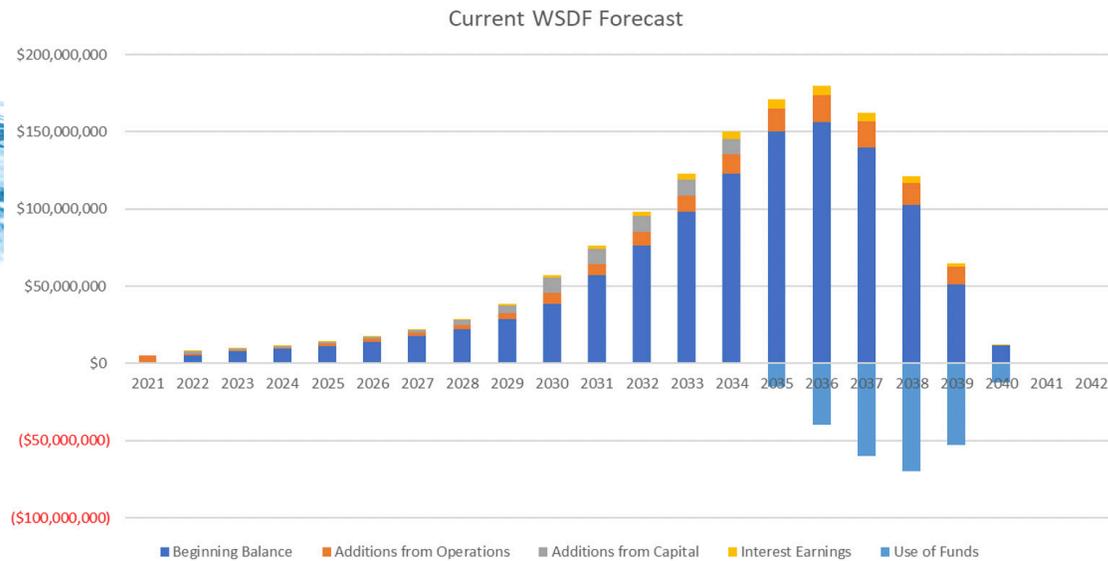
Comparison of WSDF Forecasts

By project construction, total accumulated funds of \$250.0M shows improvement over the prior forecast of \$244.7M, primarily due to the 2022 "Shared Benefit" transfer, higher growth (RCFCs), and lower costs (Seattle true-up).



Current WSDF Forecast

The WSDF derives annual funding from both operations (60%) and capital (40%) sources. Funds start to be used in 2035 based on the current plan of having the Lake Tapps Reservoir operational by 2042.



Key Comparative Metrics

The metrics below show how the forecasts for the WSDF and project costs have changed since 2020.

Key Metrics	Original Forecast (Oct 2020)	Nov 2021 Forecast	Current Forecast (July 2022)
Total WSDF Funding	\$110,859,349	\$244,667,093	\$250,145,453
Total Projected Project Cost (Lake Tapps Phase 1: 2033-2042)	\$1,590,015,258	\$1,574,386,088	\$1,705,946,181
Total Project Cash Funding (includes construction funds not transferred to WSDF)	\$432,092,007	\$452,990,947	\$475,691,931
Total Project Debt Funding (net proceeds after issuance and reserve funding)	\$1,158,060,572	\$1,121,395,141	\$1,230,254,251
Debt Ratio	72.8%	71.2%	72.1%
Maximum Policy Debt Ratio	80.0%	80.0%	80.0%