



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager
Tracey Dunlap, Director of Finance and Administration

From: Julie Elsom, Sr. Operations and Financial Analyst
Ray Steiger, P.E., Public Works Director

Date: July 21, 2011

Subject: CASCADE WATER ALLIANCE COST ALLOCATION STUDY

RECOMMENDATION:

City Council receives an update on the status of Cascade Water Alliance cost allocation study and recommendations.

BACKGROUND DISCUSSION:

This presentation is in response to a request made by City Council to receive a report on the ongoing Cascade Water Alliance's (CWA) cost allocation study. Deputy Mayor Penny Sweet serves on the Board of Directors for CWA; Councilmember Doreen Marchione serves as the alternate. Both have been involved in recent CWA meetings in which there has been lengthy discussion regarding possible shifts in CWA costs to its eight member organizations. Changes have minimal impact on Kirkland rates at this time; however, the review of member charge equity is an important consideration.

Chuck Clarke, CEO of CWA, will summarize the recent Cost Allocation Study and some of the guiding principles of CWA. The purpose of the study is to evaluate the overall equity of CWA's current cost recovery method in light of the decreasing number of new connections and decreasing rate of growth in water demand. CWA staff believe there is an imbalance of equity among members and has explored several alternatives to improving the member charge structure. Cascade's Board will be considering options in the upcoming months. This presentation will provide City Council background information on the evolving environment of CWA, current issues associated with breakdown of recovery sources, options for modifying cost recovery, and how the allocation of cost to Members might be affected.

Cascade Water Alliance – Background

The Cascade Water Alliance (CWA or Cascade) has been in existence for over a decade, and operating as a supply agency for seven years. Cascade was formed to provide water supply to meet current and future needs in a cost effective and environmentally friendly manner. CWA is comprised of five member cities (City of Bellevue, City of Issaquah, City of Kirkland, City of Redmond, and City of Tukwila) and three water and sewer districts (Covington Water District, Sammamish Plateau Water and Sewer District, and Skyway Water and Sewer District). These cities and districts joined together to ensure adequate water supply well into the future.

Prior to Cascade, these agencies were dependent on Seattle for supply and regional water planning. At this time, demand forecasts indicated the growth of the region and the increasing demand for water was not sustainable; by 2008 Seattle would not have enough water to continue supplying all its customers. Contract purveyors had no opportunity to invest in the water supply system or to have a say in any decision making such as capital investments, rate setting, water supply development and reliance on conservation; Seattle, could not guarantee water would be available in the future. Cascade was founded predominately based on the following:

- **Control Own Destiny** – agencies entirely dependent on Seattle sought control and management of water resources to ensure their ability to meet their planning goals and requirements.
- **A Voice and a Vote** – gain an active and meaningful role in the water supply decision-making process.
- **Regulating Institutional Change** (Protection of Interests) – Cascade was structured to inhibit major changes in mission or direction without careful deliberation and substantial consensus.
- **Ownership and Control** – progress towards direct ownership and control of supply resources to establish reliable supply commitments to its members.

The goal was a regional approach to providing a safe, clean, and reliable water supply. As part of Cascade's long-term plan, the agency acquired the Lake Tapps reservoir. In 2010 Cascade updated its water demand forecast and analysis of supply alternatives as part of its long-term planning process. It was determined that projected demand for water has diminished; as a result, Cascade, is reviewing the overall equity of its current cost recovery method.

For additional information about Cascade Water Alliance please follow the link below to their web site:

http://cascadewater.org/about_us.php