

TRANSMITTAL LETTER

December 31, 2008

Cascade Water Alliance Members, Board Members and Alternate Board Members:

We are pleased to present to you the 2009 Cascade Water Alliance Budget that was adopted by the Cascade Board on October 22, 2008, by Resolution No. 2008-14. The 2009 Budget establishes the financial plan to provide for continued improvement in the delivery of safe, reliable and clean water to Cascade's Members. The Budget will enable the provision of all Cascade services at no less than 2008 levels, as well as the operations, maintenance, planning, and infrastructure improvements needed for Cascade's water transmission and supply system.

The 2009 Budget, building on the work done in 2008, along with the hiring of Chuck Clarke as Cascade's new Chief Executive Officer, position Cascade extremely well to begin the planning process for development of the 2010 Transmission and Supply Plan (Plan). This Plan, which will update the 2004 Transmission and Supply Plan, will provide a fresh look at Cascade's long-term water demands, along with an identification and evaluation of the options available to meet the demands. The new Plan will provide the roadmap for Cascade's water supply activities for years to come.

Lake Tapps related activities have been a major focus of Cascade's work efforts for many years and they will continue as a major work effort in 2009. With the execution of the Lake Tapps Asset Purchase Agreement between Cascade and Puget Sound Energy, work efforts will shift to much greater coordination between Cascade and the:

- Lake Tapps Community;
- Pierce County and the cities of Auburn, Bonney Lake, Buckley and Sumner;
- Puget Sound Energy; and
- Department of Ecology.

Conservation activities have been extremely successful and we will continue to expand our efforts. In January 2008, the Cascade Board adopted the 2008 – 2013 Water Conservation Plan. This Plan established Cascade's conservation goals, along with the framework for achieving the goals. Programs such as toilet leak detection, Washwise clothes washer, and WaterSense high-efficiency toilet rebates are rapidly gaining widespread community acceptance and Cascade is on track to



exceed its 6-year conservation savings goal. In 2009, Cascade will build on these successes by adding an irrigation rain shut off device program and the development of public service announcements showing customers how to repair water leaks and install efficient water fixtures.

The 2009 Budget supports the continued development of Cascade’s business infrastructure that is necessary to support the transition of Cascade from its planning focus to an operational entity. Great strides were made in 2008 and we expect continued improvements in 2009.

The 2009 Budget estimated resources and expenditure authority of the Cascade Water Alliance is as follows:

Fund	2009 appropriation authority
Operating	\$32,128,164
Regional Capital Facilities Charge	21,619,642
Rate Stabilization	11,075,389
Construction	107,122,958
Bond	27,987,815
Total	\$199,933,968

Funding for the 2009 Budget reflects a 7.5% increase in Member charges¹ along with a 5.8% increase in the Regional Capital Facilities Charge (RCFC) from \$5,674 to \$6,005. To fund capital projects and property acquisitions, Cascade’s 2009 financial plan assumes a 2009 bond issue in the \$100 million to \$110 million range. Timing for the bond issue will be driven by the closing schedule for Lake Tapps, coupled with the status of the municipal bond market. We will closely monitor the bond market to develop a schedule that best positions Cascade to sell its bonds at the most favorable terms.

Although we are *not* ready this year to pursue the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award, this is a goal for future Cascade budgets. This program establishes criteria that will help us improve Cascade’s Budget in a manner that enables the document to serve as a policy document, an operations guide, a financial

¹ Actual Member charge changes from 2008 range from -44.5% for the City of Issaquah (due to lowered water demand projections) to 13.9% for the Covington Water District (due to phase-in of full Conservation charges to Covington starting in 2009).



plan, and a communications device. In an effort to build a budget document that meets recognized quality indicators, Cascade intends to apply the GFOA criteria to future budgets, with the goal of receiving the GFOA Distinguished Budget Presentation Award.

Preparation of the budget is a long and complex task. We would like to thank Member Staff and Cascade Staff for their role in identification and discussion of policy issues embodied in the 2009 Budget. Special recognition is also in order for Ed Cebron and Chris Gonzalez, of Financial Consulting Solutions Group, who were at the center of the budget development and production process.

Respectfully submitted,

A handwritten signature in black ink that reads "Ed Oberg".

Ed Oberg
Chief Executive Officer

A handwritten signature in black ink that reads "Scott Hardin".

Scott Hardin
Director of Finance and Administration