

2010 REVENUE AND EXPENDITURE SUMMARY

Revenue

The 2009 and 2010 adopted estimated revenue amounts, excluding bond debt proceeds and BABs reimbursements, are as follows:

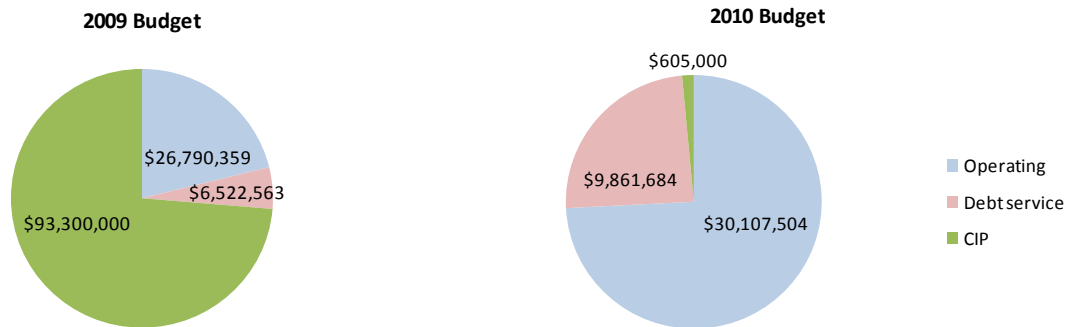
Revenue Sources	2009	2010	% Change
Administrative charges to Members	\$1,337,898	\$1,438,496	7.5%
Conservation charges to Members	812,351	1,109,248	36.6%
New Water Surcharges to Members	2,767,919	2,695,978	-2.6%
Water Demand Share Charges to Members, net of adjustments and reimbursements	21,399,423	23,001,964	7.5%
Regional Capital Facilities Charges (RCFC) from Members	5,435,008	7,915,326	45.6%
Interest earnings	1,257,118	1,895,695	50.8%
Other	463,500	477,405	3.0%
Total	\$33,473,217	\$38,534,112	15.1%

Conservation charges to Members will increase 36.6% in 2010 due to rapid growth in consumer interest in Cascade's conservation rebate program. Although water contract costs for Seattle and Tacoma water will increase by only 2.1% (\$423,000), water demand share charges (net of adjustments and reimbursements) will increase by 7.5% in 2010 to meet current and future fund reserve requirements. An increase in RCFC revenues anticipates renewed connection growth in 2010 after weak growth in 2009 that resulted from generally poor economic conditions (shortfalls in actual 2010 RCFC revenue may require some support from the Operating fund to the debt service account in the Bond fund). Interest revenue will be higher in 2010 due to temporarily higher fund balances following the receipt of \$80 million bond proceeds in October 2009.



Expenditures

Cascade’s 2009 and 2010 adopted total expenditure budgets are shown here:

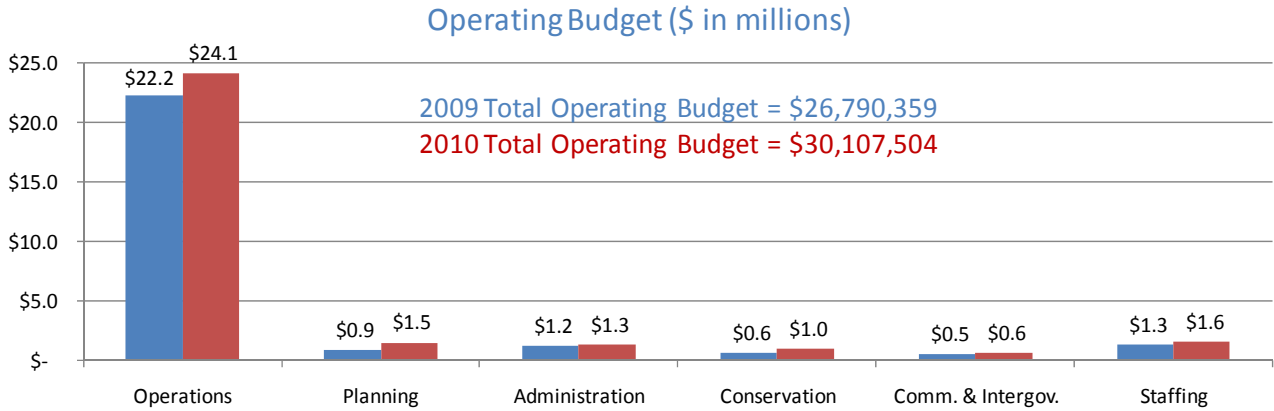


Total 2009 and 2010 adopted Operating (non-CIP or debt service) expenditure budgets are as follows:

Expenditures	2009	2010	% Change
Purchased water, net of adjustments	\$20,298,150	\$20,721,091	2.1%
Operating expenditures*	3,719,492	5,348,405	43.8%
Administrative expenditures*	1,524,486	2,827,130	85.5%
Conservation expenditures*	812,351	1,109,248	36.7%
Other expenditures (several specific lines recategorized as Administrative for 2010)	435,880	101,630	-76.7%
Total	\$26,790,359	\$30,107,504	12.4%

*see chart on next page for descriptions of major expenditure changes for 2010.

Increases in the 2010 Operating budget over 2009 are driven mostly by Cascade’s first year of ownership of Lake Tapps and by the 2010 TSP update. Other components of the 2010 Operating budget are essentially identical to the 2009 Operating budget. This chart displays changes to the Operating budget by functional area:



Water costs will increase 2.1% in 2010, due to an additional month of contracting for Tacoma water (twelve months in 2010 versus eleven in 2009). Block contract amounts in 2010 are the same as in 2009, i.e., 33.30 mgd from Seattle and 2.0 mgd from Tacoma.

Other significant expenditures in 2010 include (dollar amounts are estimates and may differ from actual amounts expended):

\$907,000	Additional cost for full year of Puget Sound Energy contract to operate	(Operations)
\$600,000	Contingency for supply & demand and TSP	(Administrative)
\$400,000	Lake Tapps facilities assessment	(Operations)
\$343,000	Increased demand for conservation rebates	(Conservation)
\$298,000	Cost increase for Seattle and Tacoma water	(Operations)
\$250,000	Potential acquisition and planning costs related to pipeline(s) and BNSF route	(Operations)
\$226,000	Addition of Operations Manager (authorized by Board on March 18, 2008) and full year for staff added during 2009	(Administrative)
\$150,000	Additional contingency for management of Lake Tapps	(Operations)
\$100,000	Periodic Lake Tapps water quality monitoring	(Operations)
\$100,000	Annual reporting, Lake Tapps outreach, and other publications	(Administrative)
\$0	0.0% general inflation increase and staff COLA	(Administrative)
(\$57,000)	Net budget reductions in other operating activities	(Various)
\$3,317,000	Net increase in Operating budget over 2009	

2010 ADOPTED BUDGET



The 2010 debt service budget is \$9,363,731, which is \$3,339,121 higher than in 2009, due to the repayment of \$80 million in bonds issued in 2009. Existing debt service costs include \$62,632 for repayment of a Public Works Trust Fund loan and \$3,896,050 for repayment of bonds issued in 2006.

The 2010 budget will meet cash flow and reserve requirements as mandated by Cascade's fiscal policies.