

WATER/WASTEWATER OPERATIONS AND MAINTENANCE FUND

Public Works Department

BUDGET OVERVIEW

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Total Expenditures | \$33,413,620 | \$39,974,116 | \$40,845,032 | \$42,448,368 |
| Ending Fund Balance | 0 | 1,247,043 | 0 | 2,461,003 |
| Total Budget | \$33,413,620 | \$41,221,159 | \$40,845,032 | \$44,909,371 |
| Total FTEs | 36.88 | 37.13 | 37.13 | 38.78 |

PROGRAM OVERVIEW

The mission of the Water/Wastewater Utility is to provide water and sewer services to customers inside and outside the City. These services are provided with a commitment to public safety, efficient use of public resources, responsiveness to public concerns, and ensuring the orderly growth of services to the City. Programs under this fund are administered by four functional groups:

- Administration and Engineering directs all departmental operations of the divisions within the Utility, reviews rates and fees to maintain fund balances, prepares the biennial Water/Wastewater Capital Investment Program (CIP), manages the design and construction of the utility's CIP, contributes to the City's Geographic Information System (GIS) and CIP, and serves as advisor to the Mayor and Council on utility issues.
- Development Services performs water/wastewater plan review for all new development and provides construction inspection for all private development utility improvements.
- Natural Resources promotes protection of the groundwater and conservation of the drinking water resource. It tracks potential groundwater contamination sources, monitors levels and flow rates, evaluates protection measures and supplies educational information to help preserve the resource. The division also coordinates the creation and distribution of the annual Consumer Confidence Report, which is distributed to all Redmond water customers.
- Operations maintains the City's water and wastewater systems. Responsibilities include maintaining the water supply, water quality, and distribution and collection systems. Redmond's water infrastructure is comprised of 5 City-owned wells, 7 storage reservoirs, 67 pressure-reducing stations, and 351 miles of mainline pipe. The wastewater system includes 16 lift stations and 200 miles of pipe.

BUDGET OVERVIEW

In accordance with Council policy, the Water/Sewer Utility conducted a rate study that coincided with the development of the 2005-06 budget. The purpose of the study was to determine whether rates needed to be revised based on various factors including consumption, purchased water costs from the Cascade Water Alliance (CWA), Metro wastewater treatment costs, and the cost of maintaining and operating the water and sewer systems. (In 2004, the City of Redmond began purchasing its water through the Cascade Water Alliance, which offers to its members a more stable long-term source of water for its customers and

more predictability in the cost for this resource.) A rate consultant was retained to evaluate the needs for the next biennium and to ascertain the revenue requirements to meet those demands. The rate study was completed in August 2004 and recommended a 2% increase in water rates and the pass-through of METRO wastewater treatment rates which are expected to increase from \$23.40 in 2004 to \$25.60 in 2005-2006, or 9.4%. This results in a \$2.72 increase in monthly residential rates for customers within Redmond city limits. Of the \$2.72 increase, \$2.20 is due to the Metro pass-through, with the remaining \$0.52 resulting from increased cost of operating the City's Water/Sewer Utility. After consideration of the rate study recommendations in August 2004, the City Council approved the 2% increase in water rates and the pass-through of the METRO wastewater treatment rates.

Although Water/Sewer rates are increasing, City of Redmond ratepayers continue to enjoy one of the lowest water and sewer rates in the region. According to the Association of Washington Cities, Redmond ranks near the bottom of average residential water and sewer rates. The following table summarizes average residential water and sewer rates between the City and surrounding jurisdictions.

Comparison of Average Monthly Residential Water & Sewer Rates for 2005

| Jurisdiction | Water | Sewer | Total |
|-----------------------------|---------|---------|-------------|
| City of Seattle | \$32.20 | \$49.35 | \$81.55 |
| City of Issaquah | \$42.31 | \$39.60 | \$81.91 |
| City of Woodinville | \$36.93 | \$43.05 | \$79.98 |
| City of Bothell | \$33.92 | \$44.87 | \$78.79 |
| City of Kirkland | \$33.31 | \$43.60 | \$76.91 |
| City of Bellevue | \$32.61 | \$38.88 | \$71.49 |
| City of Renton | \$29.53 | \$39.03 | \$68.56 |
| Northshore Utility District | \$32.03 | \$33.25 | \$65.28 [1] |
| City of Redmond (Approved) | \$26.82 | \$34.79 | \$61.61 |
| City of Redmond (Current) | \$26.30 | \$32.59 | \$58.89 |

Note: 2005 monthly billing figures per staff survey of listed cities unless otherwise noted. Water usage based upon 10 ccf per month and sewer usage based on 7.5 ccf per month (winter). Includes Metro wastewater treatment charge of \$25.60.

[1] 2004 Approved rates.

REVENUES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------------|---------------------|---------------------|-----------------------|---------------------|
| Beginning Fund Balance | \$2,220,872 | \$1,941,216 | \$1,689,630 | \$2,589,582 |
| Water Sales | 14,415,448 | 16,691,231 | 18,192,324 | 18,884,689 |
| Sewer Sales | 4,494,514 | 5,179,476 | 5,078,745 | 5,291,937 |
| Metro Sales ¹ | 12,969,582 | 13,726,710 | 14,029,140 | 15,635,376 |
| RCFC Revenue ² | 0 | 551,250 | 551,250 | 1,500,000 |
| Investment Interest | 460,480 | 60,000 | 178,182 | 111,065 |
| Transfer from CIP | 0 | 2,283,000 | 2,283,000 | 0 |
| Miscellaneous Revenues | 879,741 | 788,276 | 1,432,343 | 896,722 |
| TOTAL REVENUES | \$35,440,637 | \$41,221,159 | \$43,434,614 | \$44,909,371 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Salary and Benefits | \$4,668,969 | \$4,846,966 | \$5,621,705 | \$6,484,336 |
| Supplies: | | | | |
| Water Purchases | 4,723,392 | 6,365,774 | 6,100,491 | 6,104,540 |
| RCFC Pass-thru to CWA ² | 0 | 551,250 | 551,250 | 1,500,000 |
| Other Supplies | 614,846 | 837,543 | 783,010 | 999,978 |
| Professional/Legal | 1,068,788 | 1,883,314 | 1,395,013 | 2,157,299 |
| Intergovernmental | | | | |
| Depreciation Transfers to CIP | 3,531,419 | 3,787,639 | 4,256,186 | 4,685,755 |
| Metro Wastewater Treatment | 13,258,918 | 13,726,710 | 14,029,140 | 15,635,376 |
| Excise Taxes/Other | 583,829 | 832,302 | 851,952 | 1,012,258 |
| Capital Equipment | 132,101 | 132,000 | 160,948 | 216,679 |
| Debt Service | 1,475,774 | 3,321,329 | 3,272,790 | 301,153 |
| Interfund Transfers: | | | | |
| Information Technology | 198,937 | 333,760 | 467,240 | 634,879 |
| General Fund | 2,622,784 | 2,788,047 | 2,805,145 | 2,404,288 |
| UPD Water/Wastewater | (230,832) | (367,243) | (425,996) | (412,725) |
| Stormwater | 0 | 0 | 0 | 791 |
| Fleet Maintenance | 660,299 | 771,657 | 805,672 | 522,191 |
| Insurance | 104,396 | 163,068 | 170,486 | 201,570 |
| Ending Fund Balance | 0 | 1,247,043 | 0 | 2,461,003 |
| TOTAL EXPENDITURES | \$33,413,620 | \$41,221,159 | \$40,845,032 | \$44,909,371 |
| TOTAL FTEs | 36.88 | 37.13 | 37.13 | 38.78 |

1. Fees assessed by King County for wastewater treatment are collected by the City and passed through to King County.
2. The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the Water/Sewer Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the Water/Sewer operating fund, reflecting a change in City accounting practices. As a result, \$0.5M and \$1.5M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the Water/Sewer operating fund. The figures in the table above reflect this change.

SUMMARY OF BUDGET AND PROGRAM CHANGES

| | Budget | FTEs |
|---|---------------------|--------------|
| 2003-2004 Operating Budget | \$41,221,159 | 37.13 |
| Adjustments to the base budget: | | |
| Increase for METRO wastewater treatment costs | \$1,908,666 | |
| Increase in operating reserves | 1,229,409 | |
| Reflects annual depreciation expenses which are transferred to CIP for replacement projects | 898,116 | |
| Salary and Benefit Adjustments | 714,725 | |
| Increase in purchased water costs reflecting regional capital facility charges and water costs due to the Cascade Water Alliance | 687,516 | |
| Re-distributing staffing between operations and capital based on anticipated work | 598,522 | |
| Increase in Information Technology charges | 285,671 | |
| Other Adjustments | 117,700 | |
| Increase in general property and liability insurance from the Risk Management Fund | 38,502 | |
| Fleet adjustments | (268,226) | |
| Decrease in General Fund overhead charges based on completion of 2003 Overhead study | (382,968) | |
| Eliminate one-time funding to retire all outstanding Revenue Bond Debt Service | (3,020,176) | |
| | \$2,807,457 | 0.00 |
| Program Increases: | | |
| Public Works (PW) Managers charged proportionately to Utilities | \$220,698 | 0.81 |
| Wellhead Protection program implementation & administration | 171,441 | 0.25 |
| Water System Vulnerability Assessment maintenance | 117,000 | |
| Re-organization of administrative staff | 57,496 | 0.50 |
| Water/Sewer Modeling and GIS Applications maintenance | 31,000 | |
| Programming to automate PW permit tracking on Sierra System | 15,000 | |
| Fats, Oils, and Grease Public Education materials | 8,000 | |
| Replace Plotter for Development Services | 5,500 | |
| Correction of FTE count due to re-alignment of staff duties | 0 | 0.09 |
| | \$626,135 | 1.65 |
| New Programs: | | |
| Citywide Records Management System | \$97,500 | |
| Redmond's share of Bear Creek Groundwater Committee expenses | 82,000 | |
| Purchase a Standard Sized Pickup | 47,640 | |
| Purchase Laptop computers for field staff | 9,540 | |
| Purchase a Traffic Warning Panel for field maintenance | 7,500 | |
| Fund the Natural Yard Care Program previously administered by KC | 5,940 | |
| Replace/upgrade Davit Arm Receivers in older lift stations | 4,500 | |
| | \$254,620 | 0.00 |
| 2005-2006 Operating Budget | \$44,909,371 | 38.78 |

DESCRIPTION OF PROGRAM INCREASES (REDUCTIONS)Public Works Managers Proportionately to Utilities: \$220,698, 0.81 FTE

This request distributes the time spent on utility activities by the Public Works Director, Assistant Director, Construction Manager and Construction Supervisor that is not captured by the overhead allocation to the utility funds. Previously, the time spent by the managers on utility activities was captured by the overhead charge to the utilities. The practice was changed to require Public Works staff to directly charge their time to functions or activities related to the utilities. This increase formalizes the current practice by appropriately charging the managers' salary and benefit costs related to time spent on utility issues to the utilities.

Wellhead Protection: \$171,441, 0.25 FTE

In October 2003, the City Council approved the Wellhead Protection Ordinance which established the regulatory framework to safeguard the City's underground aquifer. This represents the Water/Sewer's share of the cost for the program. It includes funding for a .25 FTE which was previously budgeted in Stormwater Management, additional support to administer hazardous material questionnaire mailings and collection, and laboratory expenses.

Water System Vulnerability Assessment Maintenance: \$117,000.

The City completed and submitted a vulnerability assessment of its water system to EPA to comply with the new requirements for community water systems under the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The assessment identified some security defects, which need to be corrected to better protect the City's water system. These defects, which are capital related will be addressed within the Utility's Capital Improvement program. This request is for the monitoring and maintenance portion of the current and upgraded security systems. The total cost of this request is \$156,000 and is shared with the Urban Planned Development (UPD) Water/Sewer Fund.

Providing a better security system for the City's water system facilities will help protect the citizens of Redmond by ensuring a safe, high quality water system.

Re-organization of Administrative Staff: \$57,496, 0.50 FTE

The Utility's FTEs are increased by 0.50 to reflect a department-wide re-organization of administrative staff. The staffing for the Development Services Division, Stormwater Utility is being reduced through this change and the Development Services Division within the Water/Sewer Fund is being increased.

Water/Sewer Modeling and GIS Applications: \$31,000

Reflects increases in the cost of maintaining and supporting the Water Modeling, Graphical Information System (GIS), and other public works related applications used by the Utility.

Sierra Programming Services: \$15,000

Provides for consultant services to automate the tracking of Public Works permits as part of the City's permit tracking system. Currently, Public Works permits are being tracked manually on Excel spreadsheets and this process does not provide the necessary information and management reports needed for reliable permit processing.

Public Education Materials/FOG program: \$8,000

The public education materials for the Fats, Oil and Grease (FOG) program will be used to educate the community on the proper disposal of fats, oil and grease into the sanitary sewer system. The effort is expected to result in an overall decrease in the cost of the program caused by the improper discharge of these products. The FOG program is a necessary component of the EPA Capacity, Management, Operation and Maintenance Program scheduled for adoption in 2004.

Plotter for Development Services: \$5,500

This request is for the replacement of an existing plotter that is used by the Development Services Division of the Water/Sewer Utility. The existing plotter is past its useful life. The plotter is used to print maps, drawings and design schematics. Its functions are important to the operation of the Development Services group. Additionally, the new plotter will be used as the main plotter in the Permit Center by the Development Services group in the new City Hall. The full cost of this plotter is \$11,000 and is shared with the Stormwater Management Utility.

Correction of FTE count due to re-alignment of staff duties: No fiscal impact, 0.09FTE

The Water/Sewer Utility FTE's have increased by 0.09 FTE due to the re-alignment of duties and responsibilities between the Water/Wastewater Utility and the UPD Utility. This is a correction of the FTE count and is not expected to have a fiscal impact on the Utility.

Citywide Records Management Program: \$97,500 (New)

This represents the Water/Sewer Utility portion of the funding for a citywide Records Management Program. The impending move to the new City Hall and the associated need to reduce the file space has reinforced the need for an integrated document and records management program to manage City records. This project continues the work of the Document Imaging System adopted by the City Clerk's Office and includes the ongoing costs associated with implementation of the citywide electronic document and records management system. The total cost of this program will be approximately \$1.3 million.

Redmond Bear Creek Groundwater Committee: \$82,000. (New)

The Redmond Bear Creek Groundwater Protection Committee was created in December 2002 by King County. The purpose of the committee is to develop implementation strategies for the Redmond-Bear Creek Valley Ground Water Management Plan. King County initially funded the Committee through 2004 and has said that they will only be able to fund a reasonable proportionate share thereafter. The cost of the Committee and its activities is estimated at \$196,277 per year. Redmond's share would be \$41,000 per year.

Standard Size Extended Cab Pickup Truck: \$47,640 (New)

The purchase of a standard size, extended cab pickup truck will improve normal workflow while providing a vehicle for light-duty tasks and keeping existing service vehicles in the field completing maintenance work. The existing vehicles are service-oriented and not cost effective for use in tasks more suited for fuel efficient, smaller vehicles. The new vehicle would be used by staff for on-site inspections associated with the Fats, Oil and Grease (FOG) program, and to conduct inspections and research activities.

Laptop Computers: \$9,540 (New)

Purchase of laptop computers for field data gathering, research and recordkeeping in the Water Utility. The acquisition is designed to improve access to asset data, pending work orders and history, record costs and results of work, and allow for the field checking of City ordinances and verification of standard specifications and details.

Trailer-Mounted Type B Advance Warning Arrow Panel: \$7,500 (New)

Purchase of a trailer-mounted Type B Advance Warning Arrow Panel designed to provide advanced warning and directional information to aid motorists through and around maintenance and construction zones. Increased traffic volume in the City has made the addition of this safety equipment necessary for the protection of staff while they are conducting repair and maintenance activities in the right-of-way. The panel can be used day and night to direct and channel traffic through hazardous construction and maintenance sites.

Natural Yard Care Program: \$5,940 (New)

The Natural Yard Care Neighborhood Program is an outreach program initiative that educates residents on various aspects of nature-based lawn and garden care practices. The program enlists residents to come together for three evenings to learn natural methods of gardening that meet their needs and have a positive effect on the environment. Due to budget constraints, King County has stated that they will no longer continue as a partner in funding the program. Additionally, the switch to the Cascade Water Alliance (CWA) from Seattle Public Utilities has also left a degree of uncertainty in terms of funding for this program. At this time, it is uncertain if CWA will pick up all of or part of the cost as Seattle Public Utilities has done in the past. The full cost of this program is \$18,000 and is shared with the Solid Waste Recycling and Stormwater Management Funds.

The Natural Yard Care Program supports both City and Public Works goals to protect and enhance the environment and it encourages the community to embrace environmental ethics.

Davit Arm Receivers Installations at Older Lift Stations: \$4,500 (New)

The addition of the fall arrest receivers in older sewer lift stations will upgrade these stations to the same standards as the newer lift stations, water wells and water towers. The purpose of the receivers is to arrest the fall of an individual should one occur while the individual is inside the lift station. The Davit Arm provides the safest and most efficient fall arrest alternative found to date. The installation will provide for increased worker safety and compliance with Federal and State safety regulations.

2003-2004 ACCOMPLISHMENTS

- Redmond's Water System Plan was adopted in July 2003. This plan describes the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Transitioned from purchasing water from Seattle, Bellevue, and Kirkland to purchasing water from the Cascade Water Alliance.
- Participated as a pilot project for the King County Inflow/Infiltration Program. Redmond will continue to work with King County to identify cost-effective solutions for Inflow/Infiltration.
- Prepared and distributed 28,000 Consumer Confidence Reports on Redmond's water quality within EPA and state reporting deadlines and guidelines for each of the years 2003 and 2004.
- Provided water conservation and environmental education to more than 2,100 students from elementary to junior high school and their teachers through classroom curriculum and presentations, watershed festivals, workshops, and youth summer camps financed both directly and cooperatively with other utility partners.
- Completed more than twelve classes and special events (including Derby Days, rain barrel sales, and the Natural Yard Care Program) featuring water efficiency, natural gardening, and preservation of the natural resource and drinking water supply.
- Developed a very detailed and extensive public outreach and involvement campaign to promote the Wellhead Protection Ordinance. The campaign included numerous flyers, brochures, news articles (many coordinated with the RICE and Chamber of Commerce Newsletters), and the development of an interactive groundwater informational website. All totaled, more than 80 informational, educational, and involvement opportunities were realized.
- Adopted the comprehensive Wellhead Protection Ordinance, Plan, and Program that meets the requirements under the Washington State Departments of Health and Ecology as well as the Growth Management Act provisions for Critical Aquifer Recharge Areas.

- Received regional recognition by the King County Council, King County Department of Natural Resources, Washington State Office of Community Development, Washington Department of Ecology, and Washington Department of Health for the development of a model Wellhead Protection Program, Plan and Ordinance.

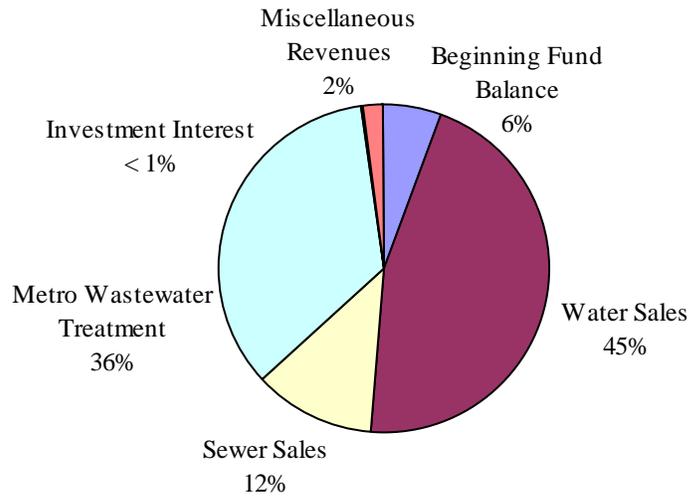
2005-2006 WORKPLAN INITIATIVES

- Adopt the Sewer System Plan, which will describe the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Continue active participation in the Cascade Water Alliance to develop regional water supplies, including the acquisition of water rights for Lake Tapps.
- Continue to work with Cascade Water Alliance and other regional utility partners to develop and implement water conservation programs. Work with natural resources partners and other agencies to provide educational and information opportunities and programs designed for Redmond customers.
- Provide research and survey data to develop and implement incentive-based water conservation programs for residential, industrial, commercial, multi-family and irrigation customers.
- Develop and report results of water conservation savings and program evaluations designed to monitor effectiveness.
- Develop and implement a public outreach program and work in conjunction with the Redmond business community as it relates to the FOG (Fats, Oils and Greases) Elimination Program.
- Continue to increase environmental awareness and public involvement in conducting Natural Yard Care Neighborhood Workshops.
- Continue to develop and execute the Wellhead Protection implementation plan for compliance that includes interdepartmental coordination on inspections, groundwater monitoring and modeling, permits, environmental development review, HMIS/HMMP information sharing, database development, data capture, capital improvement/investment projects, public outreach and education, and GIS work.
- Develop a citywide groundwater monitoring and inspection program.
- Update the City's Wellhead Protection Plan with current information and a susceptibility assessment.
- Continue to aggressively execute the Capital Investment Program.

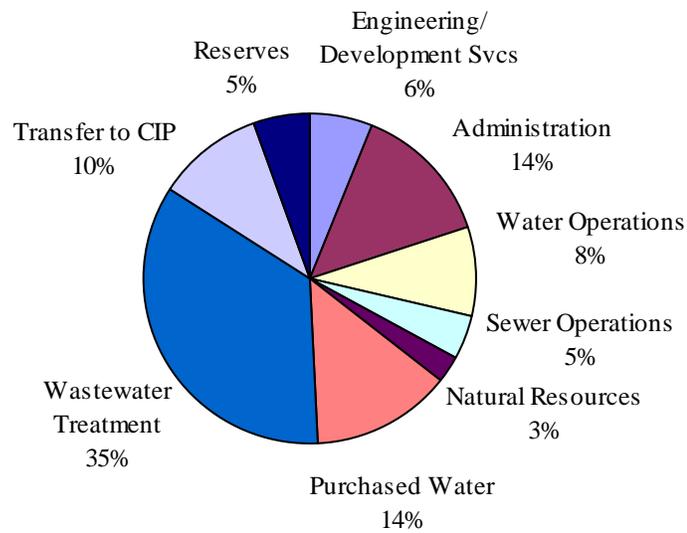
SUMMARY OF DEPARTMENT RESOURCES

2005-2006 Budget \$44,909,371

By Category of Revenue



By Division/Program



WATER/WASTEWATER CONSTRUCTION FUND**PROGRAM OVERVIEW**

The Water/Wastewater Construction Fund accounts for water and sewer construction activity, including the construction of new water and sewer projects or the replacement of existing infrastructure. Revenues for this fund include depreciation transfers from the Water/Wastewater utility, developer contributions, connection charges and the ending fund balance from prior periods. For a complete list of projects over the next six years, please refer to the Capital Investment Program Section, Water/Wastewater Construction Fund.

BUDGET OVERVIEW**REVENUES**

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|----------------------------|---------------------|---------------------|-----------------------|---------------------|
| Beginning fund balance | \$13,097,652 | \$13,680,635 | \$15,762,864 | \$9,808,692 |
| Transfer from operations | 3,531,419 | 3,787,639 | 4,231,278 | 4,685,755 |
| Interest and miscellaneous | 2,981,602 | 1,789,959 | 700,767 | 854,709 |
| RCFC Revenue ¹ | 0 | 750,000 | 0 | 0 |
| Connection Fees | 1,912,082 | 2,409,908 | 2,834,723 | 2,190,000 |
| TOTAL REVENUES | \$21,522,755 | \$22,418,141 | \$23,529,632 | \$17,539,156 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Capital Projects | \$6,282,464 | \$15,285,500 | \$11,437,940 | \$14,150,000 |
| Transfer to WWW Operations | 0 | 2,283,000 | 2,283,000 | 0 |
| RCFC Pass-thru to CWA ¹ | 0 | 750,000 | 0 | 0 |
| Ending fund balance | 0 | 4,099,641 | 0 | 3,389,156 |
| TOTAL EXPENDITURES | \$6,282,464 | \$22,418,141 | \$13,720,940 | \$17,539,156 |

- The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the Water/Sewer Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the Water/Sewer operating fund, reflecting a change in City accounting practices. As a result, \$0.5M and \$1.5M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the Water/Sewer operating fund. The figures in the table above reflect this change.

UPD OPERATIONS AND MAINTENANCE FUND

Public Works Department

BUDGET OVERVIEW

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Total Expenditures | \$2,228,607 | \$7,419,115 | \$6,820,585 | \$9,105,840 |
| Ending Fund Balance | 0 | 347,163 | 0 | 1,333,680 |
| Total Budget | \$2,228,607 | \$7,766,278 | \$6,820,585 | \$10,439,520 |
| Total FTEs | 6.84 | 6.84 | 6.84 | 5.94 |

PROGRAM OVERVIEW

The mission of the Urban Planned Development (UPD) Operations and Maintenance Utility is to provide water and sewer services to the Redmond Ridge UPD at the same level as is provided to customers inside the City. Additionally, City policy provides that the operations of the UPD Utility do not have a financial impact on the City's utility customers or rates and that these services be provided with a commitment to public safety, efficient use of public resources, and responsiveness to public concerns. The programs under this fund are administered by four functional groups:

- Administration and Engineering directs all departmental operations of the divisions within the utility, reviews rates and fees to ensure costs are recovered, and serves as advisor to the Mayor and Council on utility issues.
- Development Services performs water/sewer plan review for all commercial and residential development and provides construction inspection for all private development utility improvements.
- Natural Resources promotes water conservation and protection of drinking water supplies through educational programs. It also coordinates the creation and distribution of the annual Consumer Confidence Report, which is distributed to all Redmond water customers.
- Operations operates and maintains the water supply and distribution system and the wastewater collection system that serves the area.

BUDGET OVERVIEW

In concurrence with Council policy, a consultant was retained to prepare a rate study for the UPD Water/Sewer Utility to coincide with the development of the 2005-06 budget. The purpose of the rate study was to review the UPD Utility's consumption and development patterns, customer growth trends, and the cost of maintaining and operating the Utility. The study was completed in August 2004 and its results were presented to Council on August 24th. The rate study recommended that the monthly rates be increased to pass-through the higher Metro treatment costs of \$2.20. No other changes were recommended to the current rates as anticipated revenues were deemed adequate to meet the needs of the Utility over the next two years.

In addition, the consultant prepared an evaluation of the Depreciation Recovery Surcharge, which was also discussed with Council on August 24th. The purpose of the evaluation was to determine whether the amount of the surcharge, which is similar to a latecomer's connection fee imposed on new connections, is adequate to meet the future infrastructure needs of the Utility. The study concluded that the current

Depreciation Recovery Surcharge is adequate to fund the developer's share of future capital replacement needs and does not need to be changed. The City Council adopted staff and consultant's recommendations without change during the budget deliberations.

REVENUES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|----------------------------|---------------------|---------------------|-----------------------|---------------------|
| Beginning fund balance | \$541,042 | \$1,294,416 | \$1,294,416 | \$945,749 |
| Engineering fees | 621,131 | 802,000 | 647,604 | 669,768 |
| Water sales | 705,585 | 2,032,535 | 2,032,436 | 3,041,345 |
| Sewer sales | 140,138 | 502,020 | 502,009 | 1,510,908 |
| Metro sales ¹ | 196,545 | 642,083 | 613,811 | 2,015,165 |
| RCFC Revenue ² | 0 | 1,204,400 | 1,204,400 | 1,000,000 |
| Water service installation | 237,320 | 465,750 | 466,040 | 484,620 |
| UPD depreciation surcharge | 362,726 | 749,947 | 837,655 | 732,750 |
| Miscellaneous revenues | 0 | 73,127 | 167,963 | 39,215 |
| TOTAL REVENUES | \$2,804,487 | \$7,766,278 | \$7,766,334 | \$10,439,520 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Salary and Benefits | \$811,345 | \$1,056,088 | \$891,858 | \$1,135,607 |
| Supplies | | | | |
| Water Purchases | 318,512 | 934,900 | 934,590 | 1,599,039 |
| RCFC Pass-thru to CWA ² | 0 | 1,204,000 | 1,204,000 | 1,000,000 |
| Other Operating Supplies | 7,140 | 79,770 | 50,511 | 95,378 |
| Professional/Legal | 176,142 | 215,492 | 208,282 | 331,530 |
| Intergovernmental | | | | |
| Depreciation Transfers to CIP | 288,094 | 2,599,136 | 2,079,735 | 2,256,773 |
| Metro Wastewater Treatment | 159,629 | 529,387 | 600,493 | 1,810,372 |
| Other Intergovernmental | 54,285 | 148,454 | 126,316 | 145,626 |
| Capital Equipment | 150,309 | 244,600 | 244,326 | 286,767 |
| Interfund Transfers | | | | |
| Water/Wastewater | 230,832 | 367,243 | 440,427 | 412,725 |
| Fleet Maintenance | 32,319 | 40,045 | 40,047 | 32,023 |
| Ending Fund Balance | 0 | 347,163 | 0 | 1,333,680 |
| TOTAL EXPENDITURES | \$2,228,607 | \$7,766,278 | \$6,820,585 | \$10,439,520 |
| Total FTEs | 6.84 | 6.84 | 6.84 | 5.94 |

1. Fees assessed by King County for wastewater treatment are collected by the City and passed through to King County.
2. The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the UPD Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the UPD operating fund, reflecting a change in City accounting practices. As a result, \$1.2M and \$1.0M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the UPD operating fund. The figures in the table reflect this change.

SUMMARY OF BUDGET AND PROGRAM CHANGES

| | Budget | FTEs |
|--|---------------------|---------------|
| 2003-2004 Operating Budget | \$7,766,278 | 6.84 |
| Adjustments to the base budget: | | |
| Increase for METRO wastewater treatment costs | \$1,280,985 | |
| Increase in reserves | 986,517 | |
| Increase in purchased water costs and regional capital facility charges paid to Cascade Water Alliance | 460,139 | |
| Salary and benefit adjustments | 213,126 | |
| Other Adjustments | 89,818 | |
| Overhead charges paid to City Water/Wastewater Utility | 45,482 | |
| Increase in water meter costs due to increased installations | 42,167 | |
| Fleet Adjustments | (8,022) | |
| Reflects annual depreciation costs which are transferred to CIP for replacement projects | (342,363) | |
| | <u>\$2,767,849</u> | <u>0.00</u> |
| Program Reductions: | | |
| Re-alignment of Staff due to re-organization | (\$154,903) | (0.99) |
| | <u>(\$154,903)</u> | <u>(0.99)</u> |
| Program Increases: | | |
| Water System Vulnerability Assessment Maintenance | \$39,000 | |
| Public Works Managers charged proportionately to Utilities | 21,296 | 0.09 |
| | <u>\$60,296</u> | <u>0.09</u> |
| 2005-2006 Operating Budget | \$10,439,520 | 5.94 |

DESCRIPTION OF PROGRAM INCREASES (REDUCTIONS)Re-alignment of Staff: -\$154,903, -0.99 FTE reduction.

This item moves 0.04 FTE Business Manager, 0.05 FTE Management Analyst and a 0.90 FTE Construction Inspector to the Water/Wastewater Utility as part of a re-alignment of staff in order to match job responsibilities with costs in the appropriate functional units.

Water System Vulnerability Assessment Maintenance: \$39,000.

This request is for the monitoring and maintenance portion of the current and upgraded security systems which were put into place as part of the vulnerability assessment program. The cost of the request is shared with the City's Water/Sewer Fund.

Public Works Managers Charged Proportionately to Utilities: \$21,296, 0.09 FTE

This request distributes the time spent on utility activities by the Public Works Director, Assistant Director, Construction Manager and Construction Supervisor that is not captured by the overhead allocation to the utility funds.

2003-2004 ACCOMPLISHMENTS

- Redmond's Water System Plan, which includes the UPD service area, was adopted in July 2003. This plan describes the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Transitioned from purchasing water from Seattle to purchasing water from the Cascade Water Alliance.
- Performed a rate study that validated current water/wastewater rates for the 2005-2006 biennium.
- Agreed to a settlement with Quadrant for the funding of depreciation.

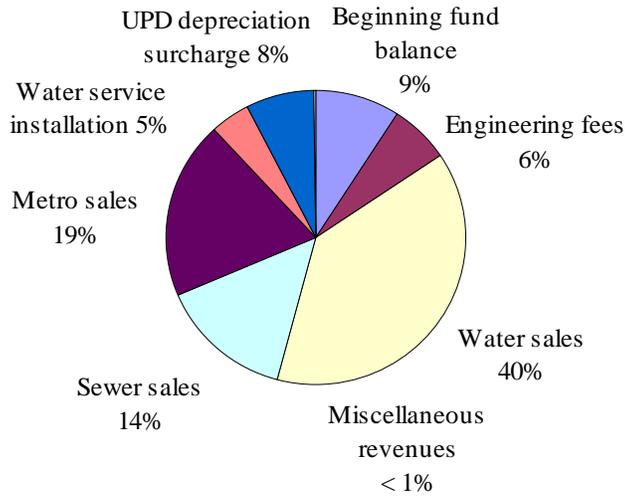
2005-2006 WORKPLAN INITIATIVES

- Adopt the Sewer System Plan, which will describe the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Continue active participation in the Cascade Water Alliance for the development of regional water supplies.
- Continue to provide reasonable levels of service for UPD residents.
- Revise rates as recommended in rate review to recover operating costs while not unduly burdening the ratepayers.

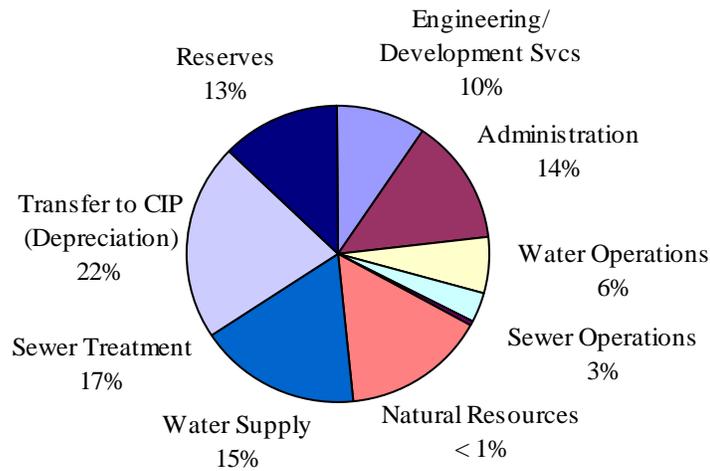
SUMMARY OF DEPARTMENT RESOURCES

2005-2006 Budget \$10,439,520

By Category of Revenue



By Division/Program



UPD CONSTRUCTION FUND

PROGRAM OVERVIEW

The Urban Planned Development (UPD) Construction Fund was created in 2000 to account for construction activities related specifically to the Redmond Ridge Urban Planned Development. Revenues for this fund include depreciation transfers from the UPD Operations and Maintenance Fund and utility connection fees. Per City policy, construction and operating activities in support of the UPDs are accounted for separately and apart from the City's Water/Wastewater operation and capital activities.

Because the infrastructure for the UPD utility is relatively new, the construction fund is anticipated to accumulate a significant balance over the next several years before any substantial repair/replacement expenses are incurred.

BUDGET OVERVIEW

REVENUES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------------|---------------------|---------------------|-----------------------|---------------------|
| Beginning fund balance | \$365,879 | \$1,150,845 | \$49,469 | \$2,382,075 |
| Transfer from operations | 288,094 | 1,422,386 | 2,339,096 | 2,256,773 |
| RCFC Revenue ¹ | 0 | 500,000 | 0 | 0 |
| Investment Interest | 116,612 | 146,470 | 52,244 | 112,318 |
| Connection Fees | 369,702 | 0 | 0 | 0 |
| TOTAL REVENUES | \$1,140,287 | \$3,219,701 | \$2,440,809 | \$4,751,166 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Capital Projects | \$79,374 | \$80,950 | \$58,734 | \$150,000 |
| RCFC Pass-thru to CWA ¹ | 0 | 500,000 | 0 | 0 |
| Ending fund balance | 0 | 2,638,751 | 0 | 4,601,166 |
| TOTAL EXPENDITURES | \$79,374 | \$3,219,701 | \$58,734 | \$4,751,166 |

- The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the UPD Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the UPD operating fund, reflecting a change in City accounting practices. As a result, \$1.2M and \$1.0M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the UPD operating fund. The figures in the table on the previous page reflect this change.

STORMWATER MANAGEMENT FUND

Public Works Department

BUDGET OVERVIEW

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Total Expenditures | \$12,895,713 | \$14,383,413 | \$15,047,803 | \$14,024,976 |
| Ending Fund Balance | 0 | 2,024,431 | 0 | 1,156,619 |
| Total Budget | \$12,895,713 | \$16,407,844 | \$15,047,803 | \$15,181,595 |
| Total FTEs | 28.49 | 26.49 | 26.49 | 29.46 |

PROGRAM OVERVIEW

The Stormwater fund provides for the safe and effective conveyance of rainwater runoff and attempts to minimize and repair the physical and water quality impacts to the receiving water. Programs under this fund are administered by three functional groups.

- Natural Resources coordinates the comprehensive, basin and master planning for drainage and stream systems; develops the Stormwater Capital Investment Program (CIP) including structural and stream stability/habitat projects; manages the design and construction of the Stormwater CIP; reviews public CIP projects on stormwater-related issues; works to protect/improve surface water quality through monitoring, spill response, inspections and enforcement; and promotes community education and stewardship for the long-term protection of the environment. The division also serves as advisor to the Mayor and Council on stormwater and natural resource issues.
- Development Services reviews private development projects regarding stormwater management, formulates and refines stormwater management standards for new development, and administers the stormwater accounts.
- Operations repairs and maintains the stormwater systems of the City; constructs small capital projects; focuses on safety, efficiency, and protection of the environment; and responds to emergencies, large or small, at all hours of every day.

BUDGET OVERVIEW

Prior to 2004, the last rate study was completed in December 1999 which established a base residential rate of \$8.50 per month and a CIP surcharge of \$3.00 per month, for a total monthly rate of \$11.50. This rate was set at a level to sustain the utility for a five-year period ending December 2004, at which time a new rate study would be required. The surcharge was scheduled to sunset at the end of this five-year period. This rate structure, which was designed to over collect during the first half of the five year rate period and under collect during the second half, performed as planned.

In 2004, a rate study was undertaken to evaluate the financial and capital needs of the program and to determine rate requirements for the 2005-2006 biennium. This study recommended adjusting the rates for

inflation and presented several options to fund capital construction that would be needed to comply with current federal, state and local environmental regulations. These regulations include Department of Ecology Stormwater regulations, the Endangered Species Act Salmon Conservation plan, Sensitive Areas and Shoreline regulations, and Wellhead and Critical Recharge Area Protection.

Based upon the results of this rate study, the City Council allowed the \$3.00/month CIP surcharge to sunset as scheduled and established a new base residential rate of \$11.50 per month for the 2005-06 biennium. Besides providing for inflation since the rate was last changed in 1999, the revised rate also sustain current service levels, provides revenues for an illicit discharge study and provide for the initiation of a capital investment program enabling the Utility to be partially compliant with the aforementioned environmental regulations. Additionally, the City Council stated its intent to review the residential rates during the 2005-06 biennium in order to determine the appropriate residential rate level to bring the Utility into full compliance with federal, state and local regulations. The next rate study is scheduled for 2006 to evaluate rate revenue requirements for the 2007-08 biennium.

The City of Redmond's new stormwater management rate is comparable to that of neighboring jurisdictions. The following table summarizes monthly residential rates for the City and surrounding jurisdictions.

| Comparison of Monthly 2005 Stormwater Rates | |
|--|------------------------|
| Jurisdiction | Stormwater Rate |
| City of Bellevue | \$11.79 ^[1] |
| City of Issaquah | \$11.77 |
| City of Redmond (Approved) | \$11.50 |
| City of Seattle | \$10.14 |
| City of Kirkland | \$10.90 |
| City of Woodinville | \$7.09 |
| City of Bothell | \$6.09 |
| City of Renton | \$5.39 |

Notes:

2005 monthly billings based on staff survey of listed cities,
unless otherwise noted.

[1] City of Bellevue rates adjusted for lower average customer lot size,
based on discussions with Bellevue city staff.

REVENUES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|-----------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Beginning fund balance | \$1,108,473 | \$1,925,644 | \$1,925,644 | \$890,789 |
| Stormwater management fees | 9,886,900 | 10,526,000 | 10,149,497 | 14,016,992 |
| Stormwater construction surcharge | 3,490,141 | 3,715,000 | 3,582,741 | 0 |
| Engineering fees | 225,911 | 200,000 | 220,644 | 239,076 |
| Miscellaneous revenues | 102,340 | 41,200 | 60,066 | 34,738 |
| TOTAL REVENUES | \$14,813,765 | \$16,407,844 | \$15,938,592 | \$15,181,595 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|----------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Salary and Benefits | \$3,556,708 | \$3,531,981 | \$4,415,548 | \$4,221,765 |
| Supplies | 265,540 | 349,550 | 243,768 | 262,000 |
| Professional/Legal | 790,274 | 1,203,869 | 1,025,166 | 1,773,285 |
| Intergovernmental | | | | |
| Transfers to CIP | 5,669,103 | 5,845,890 | 5,911,657 | 4,425,216 |
| Other Intergovernmental Payments | 219,166 | 327,200 | 333,814 | 317,603 |
| Capital Equipment | 149,612 | 384,524 | 161,291 | 67,500 |
| Debt Service | 0 | 0 | 0 | 37,219 |
| Interfund Transfers | | | | |
| Information Technology | 142,694 | 376,892 | 471,260 | 720,612 |
| General Fund | 1,480,613 | 1,623,333 | 1,729,448 | 1,639,809 |
| Water/Wastewater | 0 | 0 | 0 | 10,816 |
| Fleet Maintenance | 540,773 | 583,524 | 583,538 | 444,564 |
| Insurance | 81,230 | 156,650 | 172,313 | 104,587 |
| Ending Fund Balance | 0 | 2,024,431 | 0 | 1,156,619 |
| TOTAL EXPENDITURES | \$12,895,713 | \$16,407,844 | \$15,047,803 | \$15,181,595 |
| TOTAL FTEs | 28.49 | 26.49 | 26.49 | 29.46 |

SUMMARY OF BUDGET AND PROGRAM CHANGES

| | Budget | FTEs |
|---|----------------------|--------------|
| 2003-2004 Operating Budget | \$16,407,844 | 26.49 |
| Adjustments to the base budget: | | |
| Salary and Benefits adjustments | 364,053 | |
| Increase in Information Technology charges | 331,950 | |
| Increase in annual depreciation expenses which are transferred to the CIP for replacement projects | 278,454 | |
| Re-distributes staffing between operations and capital based on anticipated work | 161,869 | |
| Other adjustments | 790 | |
| Eliminates one-time funding for computer software and hardware | (69,550) | |
| Reduces professional services due to increase in use of in-house staff | (83,923) | |
| Fleet adjustments | (138,960) | |
| Elimination of one-time capital purchases | (384,524) | |
| Decrease in operating reserves consistent with drawdown provision in the 5-year rate plan | (850,262) | |
| Decrease in capital projects transfer to CIP under approved rate of \$11.50 | (1,699,128) | |
| | <u>(\$2,089,231)</u> | <u>0.00</u> |
| Program Increases: | | |
| On-going Maintenance and Monitoring of Capital Projects | \$270,000 | |
| Transfer Roth Hill Contract from General Fund | 170,000 | |
| Public Works Managers charged proportionately to Utilities | 131,824 | 0.50 |
| Increase Sierra application programming services | 10,000 | |
| Re-alignment of Utilities staff due to re-organization | 7,590 | 0.10 |
| Replace a plotter for Development Services | 5,500 | |
| Correction of Stormwater FTE count | 0 | 2.12 |
| Re-allocation of Engineering Supervisor to Water/Sewer for Wellhead Protection Program | (45,930) | (0.25) |
| Re-alignment of Natural Resources Admin Asst to Water/Sewer | (57,496) | (0.50) |
| | <u>\$491,488</u> | <u>1.97</u> |
| New Programs: | | |
| Initiation of Illicit Discharge Program | \$297,874 | 1.00 |
| Citywide Records Management System acquisition | 67,500 | |
| Fund the Natural Yard Care Program previously administered by KC | 6,120 | |
| | <u>\$371,494</u> | <u>1.00</u> |
| 2005-2006 Operating Budget | \$15,181,595 | 29.46 |

DESCRIPTION OF PROGRAM INCREASES (REDUCTIONS)On-going Maintenance and Monitoring of Completed Capital Projects: \$270,000

Funding of maintenance and monitoring are crucial as follow-up activities to the success of a restoration or mitigation project. Both activities are typically required by permit approvals for the first five years after project completion. Currently, maintenance and monitoring is being funded from the Capital Investment Program and is not reflected in rates. This funding will provide operational dollars for the maintenance and monitoring for completed capital projects constructed by the Stormwater Capital Investment Program (CIP).

Roth Hill Professional Services Contract: \$170,000

Transfers the cost of the Roth Hill professional services contract from Water/Sewer Utility to the Stormwater Management Utility. The majority of the reviews are Stormwater-related and therefore should be paid for by this fund.

Public Works Managers Charged Proportionately to Utilities: \$131,824, 0.50 FTE

This request distributes the time spent on utility activities by the Public Works Director, Assistant Director, Construction Manager and Construction Supervisor that is not captured by the overhead allocation to the utility funds.

Sierra Programming Services: \$10,000

Provides for consultant services to automate the tracking of Public Works permits as part of the City's permit tracking system being implemented. Currently, Public Works permits are being tracked manually on Excel spreadsheets and this process does not provide the necessary information and management reports needed for reliable permit processing. The full cost of the request is \$25,000 and is shared with the Water/Sewer Utility.

Re-alignment of Staff duties and responsibilities: \$7,590, 0.10 FTE.

Due to re-alignment of staff in the Utilities, a 0.10 FTE Administrative Services Supervisor was transferred from the Solid Waste/Recycling program.

Plotter for Development Services – Utilities: \$5,500

This request is for the replacement of an existing plotter that is used by the Development Services Division of the Stormwater Management Fund. The existing plotter is past its useful life. The plotter is used to print maps, drawings and design schematics. Its functions are important to the operation of the Development Services group. The full cost of this request is \$11,000 and is shared with the Water/Sewer Fund.

Correction of Stormwater FTE Count: No fiscal impact, 2.12 FTE

This is a technical correction to properly reflect FTE's with the fund in which their salary and benefit costs are budgeted. The FTEs associated with a full-time Administrative Assistant, a part-time Program Manager, Engineering Technician and Engineering Supervisor position were shown in the Capital Improvement Program even though their costs were budgeted in this fund. There is no fiscal impact as a result of this change.

Re-allocation of Engineering Supervisor to Water/Sewer for Wellhead Protection: -\$45,930, -0.25 FTE

Re-allocates a 0.25 FTE Natural Resources Engineering Supervisor position from this Utility to the Water/Sewer Utility for management of the Wellhead Protection program.

Reorganization of administrative staff: -\$57,496, -0.50 FTE.

The Utility's FTEs are decreased by 0.50 to reflect a department-wide re-organization of administrative staff. The staffing for the Development Services Division, Stormwater Utility is being reduced through this change and the Development Services Division within the Water/Sewer Fund is being increased.

Illicit Discharge Detection and Elimination Program: \$297,874, 1.0 FTE. (New)

The Illicit Discharge Detection and Elimination Program is designed to detect and eliminate improper discharges into the public stormwater system under compliance with the National Pollution Discharge Elimination System administered by the Washington State Department of Ecology. This proposal includes funding to staff the program and resources to determine sources of illicit discharge, develop mitigation plans to address improper connections and provide methods for pollution prevention.

Citywide Records Management Program: \$67,500 (New)

Reflects the Stormwater Management portion of the funding for a citywide Records Management Program. The impending move to the new City Hall and the associated need to reduce the file space has reinforced the need for an integrated document and records management program to manage City records. This project continues the work of the Document Imaging System adopted by the City Clerk's Office and includes the ongoing costs associated with implementation of the citywide electronic document and records management system. The total cost for this program is approximately \$1.3 million

Natural Yard Care Program: \$6,120 (New)

The Natural Yard Care Neighborhood Program is an outreach program initiative that educates residents on various aspects of nature-based lawn and garden care practices. The program enlists residents to come together for three evenings to learn natural methods of gardening that meet their needs and have a positive effect on the environment. The Natural Yard Care Program supports both the City and Public Works goals to protect and enhance the environment and it encourages the community to embrace environmental ethics.

Due to budget constraints, King County has stated that they will no longer continue as a partner in funding the program. The full cost of this program is \$18,000 and is shared with the Solid Waste Recycling and Water/Sewer Funds.

2003-2004 ACCOMPLISHMENTS

- Reviewed development projects, assisting applicants in meeting City development standards and resolving technical issues, with emphasis on protecting the natural environment.
- Digitally mapped and graphically reconciled 80% of the stormwater system infrastructure.
- Successfully completed and complied with the Federal Emergency Management Agency's "Community Assistance Visit" (basically an audit).
- Completed flow chart, in Sierra software format, for the civil construction plan approval process.
- Adopted the new (2001) State Department of Ecology's "Stormwater Management Manual for Western Washington."
- Formulated guidelines to address site work in the rainy season to protect streams and streets from potential erosion and tracking of dirt from construction sites.
- Performed qualitative analysis of erosion and habitat conditions on the more than 50 miles of significant streams in the City.

- Conducted workshops in Natural Yard Care in various neighborhoods throughout the City of Redmond. This program was a very successful outreach initiative that educated residents on the various aspects of nature-based lawn and garden care practices.
- Increased public involvement in stewardship and planting projects. There were approximately 1400 volunteer hours performed on stewardship projects in Redmond.
- Developed and presented several regional presentations for National Stream Restoration Organizations and Conferences, as well as for Congressional Staff.
- Secured more than \$150,000 in grant funding for various capital projects.
- Assisted in re-engineering the citywide Tree Replacement Program.
- Achieved sixty percent completion toward development of a watershed-based Stormwater Master Plan.
- Illicit Connection Program: Received City Council approval to implement interim program pending official approval via 2005 utility rate adjustment.
 - Delineated and prioritized sub-drainage areas for future monitoring throughout the City.
 - Identified and prioritized strategic sampling locations for the two highest basins.
 - Performed over 100 inspections at over 39 locations in highest priority basin.
 - Localized four areas of significant pollution problems within target basin.

2005-2006 WORKPLAN INITIATIVES

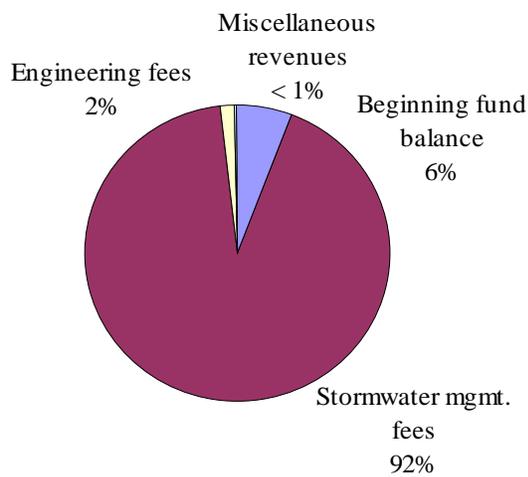
- Update development standards when necessary to meet mandates from the federal and state levels to protect aquatic resources.
- Update the Stormwater portion of the Comprehensive Plan to meet requirement for Endangered Species Act (ESA) compliance under the 4(d) Ruling from National Marine Fisheries.
- Continue to integrate public stormwater system inspections into the existing inspection program.
- Develop an environmental index model aimed at identifying baseline conditions in local streams, lakes, and wetlands utilizing the best available science within practical watershed boundaries. This model would also be able to forecast environmental potential within these watersheds and be used to identify capital improvement projects and goals.
- Develop a comprehensive basin plan utilizing the environmental index model to generate realistic and attainable results for stormwater and natural resource projects that also incorporate regional direction and strategies for salmon recovery.
- Develop maintenance standards and procedures that are aligned with regional guidance established to protect salmon.
- Review current City policies and practices for redundant overlap and for practical ability with regard to the intended/required environmental safeguards, and create simple standards and checklists and make them part of documented responsibilities within individual work plans.
- Expand ESA education/outreach efforts and focus on improved environmental understanding in all areas, and begin efforts to promote sustainability.
- Continue the Natural Yard Care Neighborhood Program, which uses the principals of social marketing to enlist neighbors to come together for three evenings to learn natural yard care methods that meet their needs and have a positive effect on the environment.

- Fully map and ground-truth the entire stormwater detention and conveyance system. Identify and execute system-wide hydraulic and hydrologic models to identify system deficiencies.
- Continue the development of a watershed-based Stormwater Master Plan.
- Illicit Connection Program: Officially implement program, develop operational budget, hire/train staff, and begin next round of inspections.
 - Positively identify sources of pollution for four localized areas in target basin number 1.
 - Successfully remove at least one source of pollution in target basin 1.
 - Begin sampling efforts at pre-defined locations within target basin number 2.
 - Finalize educational materials and complete outreach activities for one or more basins.

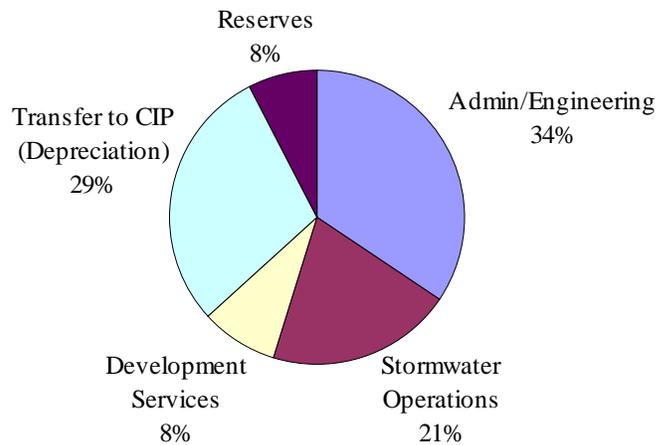
SUMMARY OF DEPARTMENT RESOURCES

2005-2006 Budget \$15,181,595

By Category of Revenue



By Division/Program



STORMWATER CONSTRUCTION FUND**PROGRAM OVERVIEW**

The Stormwater Construction Fund accounts for stormwater and natural resources construction activity, including the construction of new stormwater and natural resources projects or the replacement of existing infrastructure. Activities for this fund are supported by operating, surcharge and depreciation transfers from the Stormwater Utility, a Capital Facilities Charge (from new developments), and the ending fund balances from prior periods. For a complete list of Stormwater capital projects for the next six years, please refer to the Capital Investment Program section, Stormwater Construction Fund.

BUDGET OVERVIEW**REVENUES**

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|------------------------------|---------------------|---------------------|-----------------------|------------------------|
| Beginning fund balance | \$3,735,740 | \$4,904,693 | \$6,818,492 | \$6,650,220 |
| Transfer from operations | 4,708,706 | 4,990,840 | 4,780,694 | 3,291,712 ¹ |
| Depreciation transfer | 960,398 | 855,050 | 1,133,506 | 1,133,504 ¹ |
| Capital facility charges | 947,215 | 1,000,000 | 554,332 | 500,000 |
| Department of Ecology loan | 0 | 330,000 | 15,000 | 315,000 |
| Interest and connection fees | 702,799 | 444,240 | 813,816 | 240,541 |
| TOTAL REVENUES | \$11,054,858 | \$12,524,823 | \$14,115,840 | \$12,130,977 |

EXPENDITURES

| | 2001-2002 Actual | 2003-2004 Budget | 2003-2004 Estimate | 2005-2006 Budget |
|---------------------------|---------------------|---------------------|-----------------------|---------------------|
| Capital Projects | \$4,262,204 | \$8,396,758 | \$7,465,620 | \$11,414,589 |
| Ending fund balance | 0 | 4,128,065 | 0 | 716,388 |
| TOTAL EXPENDITURES | \$4,262,204 | \$12,524,823 | \$7,465,620 | \$12,130,977 |

1. This item represents transfers from the Stormwater Management Fund. Of the \$11.50 monthly rate, approximately 23.5% is transferred to the CIP for general CIP projects and 8.1% is transferred for the future replacement of depreciated projects.