



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Redmond**  
**Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO



## ELECTED OFFICIALS



**MAYOR**  
JOHN MARCHIONE

## CITY COUNCIL



TOM FLYNN



JOHN P. (PAT) VACHÉ  
PRESIDENT



KIMBERLY ALLEN



HANK MYERS



DAYLE (HANK) MARGESON  
VICE PRESIDENT



DAVID CARSON



JOHN STILIN

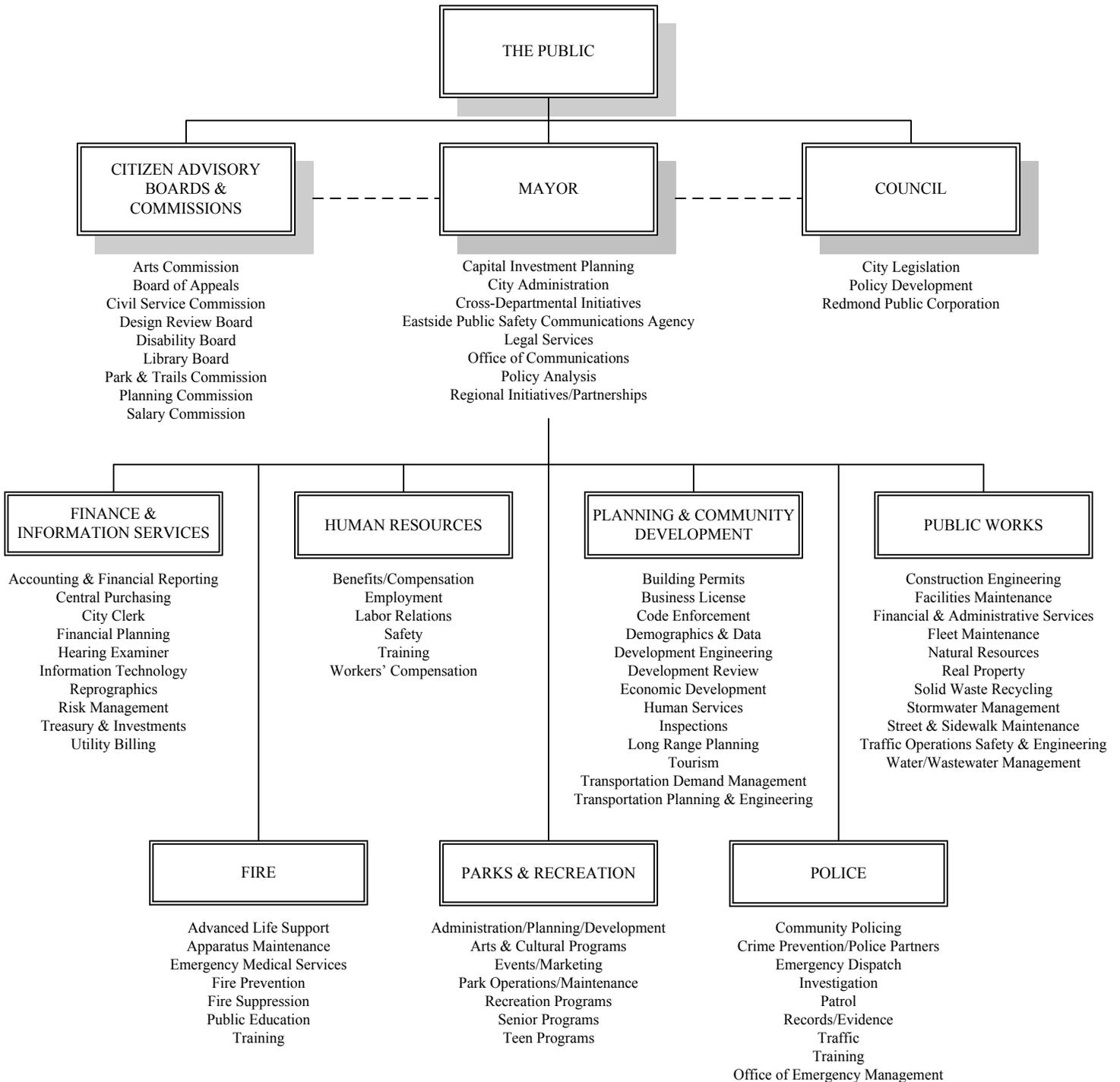
## EXECUTIVE STAFF & LEGAL COUNSEL

DEPUTY CITY ADMINISTRATOR  
FINANCE & INFORMATION SERVICES DIRECTOR  
FIRE CHIEF  
HUMAN RESOURCES DIRECTOR  
PARKS & RECREATION DIRECTOR  
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR  
POLICE CHIEF  
PUBLIC WORKS DIRECTOR  
CITY ATTORNEY  
BOND ATTORNEY  
PROSECUTOR

JANE CHRISTENSON  
MICHAEL E. BAILEY  
TOMMY SMITH  
KERRY SIEVERS  
CRAIG LARSEN  
ROB ODLE  
RON GIBSON  
TIM FULLER  
OGDEN MURPHY WALLACE  
PACIFICA LAW GROUP  
LARRY MITCHELL

# ORGANIZATIONAL STRUCTURE

## CITY OF REDMOND





June 27, 2014

Mayor Marchione,  
The Redmond City Council, and  
Citizens of Redmond, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2013. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor. This report includes the auditor's opinion with respect to the city's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

## **Profile of the Government**

Incorporated in 1912, Redmond is the nineteenth largest city in the state of Washington encompassing an area of 17.15 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2013 population of 55,840.

Redmond is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Mayor/Council form of government. The Mayor and the seven member City Council are elected for staggered four-year terms and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Redmond provides a full range of municipal services, including police and fire, emergency medical services, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for water and wastewater services and stormwater management.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Redmond Public Corporation and Redmond Community Properties. Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares a biennial budget on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd-numbered calendar year. Reviews are conducted at mid-biennium and any changes for the second half of the biennium are adopted by the City Council.

The biennial budget serves as the foundation for the City of Redmond's financial planning and control. The budget is prepared by fund and department. A budget increase or decrease to a fund must be authorized by the City Council. Appropriation changes within a fund may be authorized by the Mayor.

## **Local Economy**

Redmond has evolved from a small town with logging and farming as its chief industries into a city of very diverse industries. Led by a significant technology industry, the local economy also includes light manufacturing, business parks, and a large outdoor mall adjacent to the downtown retail core. The largest employer in Redmond is Microsoft which has its world headquarters and about 33,111 employees located in the City. Other significant employers in our city include Terex (formerly Genie Industries) (1,814 employees), Eurest Dining Services @ Microsoft (1,007 employees), Nintendo of America (926 employees), AT&T Mobility (914 employees), and Volt Technical Resources (810 employees).

Redmond's economy experienced significant growth in 2007 and 2008. Sales tax revenues, employment growth, and development activity all increased through most of 2008. The City's assessed valuation of property grew by almost \$3 billion from 2007 to 2008. Late in 2008 Redmond began to see signs of the economic decline that had already begun to be felt by the state and nation. In Redmond, assessed valuation decreased and development related revenues, employment and economic activity began to drop in concert with the Puget Sound region which experienced significant declines over the next year. In 2013, the good news is that the economy continues to show signs of a healthy recovery. Unemployment in the Seattle metro area has declined .7% from 5.5% in April 2013 to 4.8% in April 2014. The housing and other markets are also showing signs of recovery.

Several significant projects in the downtown area have included large multi-use developments and new medical facilities. The city is continuing to make major investments in roadways, utility infrastructure and parks facilities in pursuit of the transformation of its two urban centers (the historic downtown and the "Overlake" area which is the primary location of technology firms). The City's commitment to investing in its capital assets continued during the economic downturn with an increase in capital assets of \$70 million from 2009 (\$571.5 million) to 2013 (\$641.5 million).

## **Long-term Financial Planning and Relevant Financial Policies**

In line with the City's financial policy to maintain a diversified and stable revenue system, the financial strategy called for increases in four revenue sources. Three of these revenue sources, utility tax rate, business license fees, and developer fees, were increased by Council vote in 2006. In 2007 voters approved three Levy Lid Lifts to provide additional revenue in 2008. The Fire Levy provides additional firefighters to support fire and aid car operations at the Overlake Fire Station and the North Redmond Fire Station; the Police Levy provides additional police personnel to support police operations and programs; and the Park Levy provides operation and maintenance of park facilities and programs.

Beginning early in 2008, the Mayor and Council initiated a "Budgeting by Priorities" process. This process helped to align community priorities with efficient delivery of city services through the development of the 2009/2010 biennium budget. It also includes indicators to gauge the degree of success in addressing the community priorities with city resources. This process has been used since that time, including for the 2011/2012 budget as well as the 2013/2014 bienniums.

City financial policies restrict the use of borrowed funds to capital improvements that can't be financed from current revenues. Debt is not used for current operations. The City issued bonds in 2008 for significant transportation improvements to support development in the downtown and to improve its utility systems. The City again issued bonds to finance acquisition of park land in the downtown in early 2011. In 2013 the city refinanced the capital lease obligation to Redmond Community Properties for the construction of its city hall with the issuance of limited tax general obligation bonds. This resulted in transfer of ownership of City Hall from Redmond Community Properties to the City, and a total savings of more than \$1.5 million in debt service payments. More information about city bonds and debt can be found in the Notes to the Financial Statements in this report.

To ensure the City keeps abreast of and incorporates economic conditions into its financial plans, revenues are projected for the next six years and the forecast is updated annually (and available on the city's website). Operating expenses are supported by ongoing revenues per City policy. Short-term financial planning is inherent in the development of the City's biennial budget. In addition, the City's long-term capital needs and potential funding sources are assessed as part of its "Capital Investment Strategy". In this effort the city forecasts capital needs consistent with its vision and its comprehensive land use plan through the year 2030.

## **Major Initiatives**

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Investments in general government capital facilities amounted to over \$11.1 million in 2013. Projects completed in 2013 ranged from the Redmond Central Connector to the downtown parking lot, roadway construction and park improvements. Investments in capital assets of the city's utilities amounted to \$20.3 million in 2013 and included investments in regional surface water facilities and other amenities.

Two ongoing community events were again featured and expanded in 2013, Derby Days and Redmond Lights. Derby Days, held in mid-July, celebrates Redmond's bicycling heritage. The festival features the Criterium, which is the City's oldest event and the nation's longest running bicycle race, a 5K run/walk, parades, live entertainment, and much more. The second event, Redmond Lights, is the City's annual year-end holiday celebration, running from early December through early January. In 2013 Redmond Lights also celebrated the grand opening of the Redmond Central Connector with a luminary walk down the Sammamish River Trail and a digital ribbon cutting at the entrance to the Redmond Central Connector.

National Night Out, "America's Night Out Against Crime" began in 1984 in an effort to promote involvement in crime prevention activities, police-community partnerships, neighborhood camaraderie and send a message to criminals letting them know that neighborhoods are organized and fighting back. National Night Out takes place annually, on the first Tuesday of August. The event celebrates safety and crime prevention successes and works to expand and strengthen programs to help make neighborhoods a safer place year round. In Redmond, it has continued to grow into a significant point of connection between the city, its neighborhoods and among the neighbors themselves.

## **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efforts and dedication of City staff. I am very proud of those who have dedicated numerous hours of service to the community in this effort. I would like to express my appreciation to the staff, including personnel from various departments and agencies who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael E. Bailey". The signature is written in a cursive, somewhat stylized font.

Michael E. Bailey, CPA  
Finance Director