

## Management's Discussion And Analysis

The management discussion and analysis section of the City of Redmond's Comprehensive Annual Financial Report provides an overview of the City's financial activities for the year ending December 31, 2013, and resulting changes in the financial position as of December 31, 2013. For a better understanding of Redmond's finances for the previous year, readers should consider this information in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

### Financial Highlights

In 2013, the City held a steady course focusing on the vision of two vibrant urban centers by continuing work in the downtown corridor and planning for future development in the Overlake area. As shown below, the City continues its legacy of prudent financial management.

- The assets and deferred outflows of resources of the City of Redmond exceeded its liabilities at fiscal year-end by \$714.8 million (net position), an increase of \$29.5 million or 4.3% over 2012. Of this amount, unrestricted net position totals \$114.1 million and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net position totals \$36.6 million and is earmarked for debt service, capital projects and special revenue funds.
- At December 31, 2013, the City's governmental activities reported combined ending net position of \$370.3 million, an increase of \$10.1 million over 2012. Approximately 15.1% of this amount (\$55.9 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's total outstanding long-term debt decreased by \$3.1 million during the fiscal year due to principal payments and a decrease in compensated absences. Deferred outflows increased \$1.5 million due to the advance refunding of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds. This is the amount by which the reacquisition price exceeds the net carrying amount of the old debt. See note 13 to the financial statements for more information.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Redmond's basic financial statements, which are comprised of three components: 1) government wide financial statements, 2) fund financial statements and 3) notes to the financial statements. Other supplementary information, intended to furnish additional detail to support the basic financial statements, is also contained in the report.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Redmond's finances, in a manner similar to a private-sector business.

The **Statement of Net Position** presents financial information on all the City of Redmond's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Redmond is improving or deteriorating.

The **Statement of Activities** presents information designed to show how the City's net position changed during the year. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general

funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as (but not limited to) uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Both the government-wide financial statements distinguish functions of the City of Redmond that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Redmond include general government (finance, executive and human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants. Business-type activities are primarily self-supporting through user fees and charges.

## Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. These reports use a different "basis of accounting" than that used in government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City of Redmond maintains fourteen individual governmental funds. The City's two major governmental funds – the general fund and the capital improvements program fund – are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined in this statement into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level for all funds in accordance with state law. All budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Following is a brief analysis of each of the City's major governmental funds:

The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2013, the fund balance of the General Fund was \$37.2 million, which represents a decrease from the prior year of \$1.6 million.

General Fund revenues decreased by \$1.4 million (1.6%) in 2013. The key elements of this decrease are as follows:

Utility tax revenues decreased \$2.1 million due to changes in state laws regarding tax on water for fire hydrants, a reduction in telephone tax revenues caused by many households abandoning land lines in favor of cell phones, and lower gas and electric tax revenues due to a mild winter.

Intergovernmental revenues decreased \$2.2 million (18.0%) primarily due to reductions in grant revenues.

Fines and forfeitures decreased \$1.1 million primarily due to a change in enforcement philosophy whereby the Police Department issued fewer citations and focused on education to improve conformance to traffic laws.

Decreased revenues were partially offset by increased revenues in sales tax (\$3.0 million), licenses and permits (\$926,000) and charges for services (\$648,000). \$1.1 million of the increase in sales tax revenues is due to sales tax revenues no longer being deposited to the Capital Improvements Program Fund, but to the General Fund.

General Fund expenditures increased \$593,000 (.8%) over 2012, primarily due to increases in General government (\$443,000, 3.0%), Security of persons and property (\$713,000, 1.9%), and Culture and recreation (\$444,000, 5.0%). These increases were partially offset by reductions in expenditures for Transportation (\$809,000), and Capital outlays (\$308,000).

General Fund net transfers between other funds decreased its fund balance \$4.4 million due to increased transfers to debt service (for City Hall), and the Capital Improvements Fund.

The Capital Improvements Program Fund accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds. At the end of 2013, the fund balance of the Capital Improvements Program Fund was \$32.8 million, which represents an increase from the prior year of \$3.2 million.

Capital Improvements Program Fund revenues decreased by \$1.0 million (10.7%) in 2013, primarily due to some sales tax revenues no longer being deposited to the CIP Fund, but to the General Fund, as well as reductions in grant revenues and charges for services.

Capital Improvements Program Fund expenditures decreased by \$9.6 million (48.7%) in 2013, due to the normal ebb and flow of capital projects in 2013, as well as City Hall bond debt service being budgeted in the General Fund.

Capital Improvements Program Fund net transfers between other funds increased its fund balance \$2.5 million primarily due to increased budgeted transfers in from the General Fund in accordance with the budget.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens and the community. Internal service funds are used to account for goods and services provided internally to various City

departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the City limits, and the City's stormwater utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, insurance premiums and claims, medical self-insurance, worker's compensation self-insurance program, information technology, and one blended component unit, Redmond Community Properties. Internal service fund activities are predominantly governmental and have been included in the governmental activities columns of the government-wide Statement of Net Position and Statement of Activities.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

## Notes to the financial statements

The notes to the financial statements provide additional information that is important for a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to certain retired firefighters and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found immediately following the notes to the financial statements.

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

## Government-wide Financial Analysis

### Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Redmond's net position at December 31, 2012 and 2013 total \$685.4 million and \$714.8 million, respectively. The City's overall net position increased \$29.5 million (4.3%) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

By far, the largest portion of the City's net position (\$564.2 million; 78.9%) reflects investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although

investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (\$36.6 million; 5.1%) represents resources that are subject to external restrictions on how they may be used. The largest portion of these funds are restricted for capital projects (\$20.7 million), and police, fire and advance life support (\$8.0 million). The remaining balance of \$114.1 million (16.0%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Following is a condensed version of the government-wide Statement of Net Position for 2013 compared to 2012.

### City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 105,836	\$ 103,226	\$ 65,779	\$ 64,094	\$ 171,615	\$ 167,320
Capital assets, net of accumulated depreciation	350,030	349,212	291,505	273,626	641,535	622,838
Total assets	\$ 455,866	\$ 452,438	\$ 357,284	\$ 337,720	\$ 813,150	\$ 790,158
Deferred outflows	1,511	-	-	-	1,511	-
Total assets and deferred outflows	\$ 457,377	\$ 452,438	\$ 357,284	\$ 337,720	\$ 814,661	\$ 790,158
Long-term liabilities	\$ 76,881	\$ 79,343	\$ 9,464	\$ 10,133	\$ 86,345	\$ 89,476
Other liabilities	10,223	12,906	3,260	2,400	13,483	15,306
Total liabilities	\$ 87,104	\$ 92,249	\$ 12,724	\$ 12,533	\$ 99,828	\$ 104,782
<b>Net Position</b>						
Invested in capital assets, net of related debt	\$ 281,614	\$ 276,636	\$ 282,586	\$ 264,018	\$ 564,200	\$ 540,654
Restricted	32,721	23,862 *	3,851	3,367	36,572	27,229 *
Unrestricted	55,938	59,691 *	58,123	57,802	114,061	117,493 *
*Total net position	\$ 370,273	\$ 360,189	\$ 344,560	\$ 325,187	\$ 714,833	\$ 685,376

\*Restated for correction of prior year.

### Changes in net position

The changes in net position table illustrates the increases or decreases in net position of the City resulting from its operating activities. Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2012 and 2013.

City of Redmond's Changes in Net Position  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 38,150	\$ 37,950	\$ 50,924	\$ 47,405	\$ 89,074	\$ 85,355
Operating grants and contributions	1,350	4,571	5,013	1,194	6,363	5,765
Capital grants and contributions	3,180	1,648	6,900	9,449	10,080	11,097
General revenues:						
Property taxes	22,234	22,611	-	-	22,234	22,611
Sales taxes	22,584	20,722	-	-	22,584	20,722
Other taxes	20,473	20,222	-	-	20,473	20,222
Investment interest	162	632	(186)	(8)	(24)	624
Miscellaneous	1,998	1,165	150	176	2,148	1,341
Total revenues	\$ 110,131	\$ 109,521	\$ 62,801	\$ 58,216	\$ 172,932	\$ 167,737
Expenses:						
General government	\$ 18,474	\$ 16,792 *	\$ -	\$ -	\$ 18,474	\$ 16,792
Security	46,494	45,902 *	-	-	46,494	45,902
Physical environment	2,991	3,197 *	-	-	2,991	3,197
Economic environment	4,738	4,979 *	-	-	4,738	4,979
Transportation	12,240	14,695 *	-	-	12,240	14,695
Culture and recreation	12,677	12,080 *	-	-	12,677	12,080
Interest on long term debt	2,433	3,310	-	-	2,433	3,310
Water/Wastewater	-	-	30,505	28,397	30,505	28,397
Novelty Hill Water/Wastewater	-	-	5,988	6,121	5,988	6,121
Stormwater	-	-	6,935	7,249	6,935	7,249
Total expenses	\$ 100,047	\$ 100,955	\$ 43,428	\$ 41,767	\$ 143,475	\$ 142,722
Increase/(Decrease) in net position	10,084	8,566	19,373	16,449	29,457	25,015
Net position - beginning	360,189	351,868	325,187	308,830	685,376	660,699
Prior Period Adjustment**	-	(245) **	-	(92)	-	(337)
Net position - ending	\$ 370,273	\$ 360,189	\$ 344,560	\$ 325,187	\$ 714,833	\$ 685,377

\*Restated for reclass of internal service funds charges.

\*\*Due to the implementation of GASB 65. The implementation required the expensing of outstanding bond issuance costs retroactively and showing a prior period adjustment.

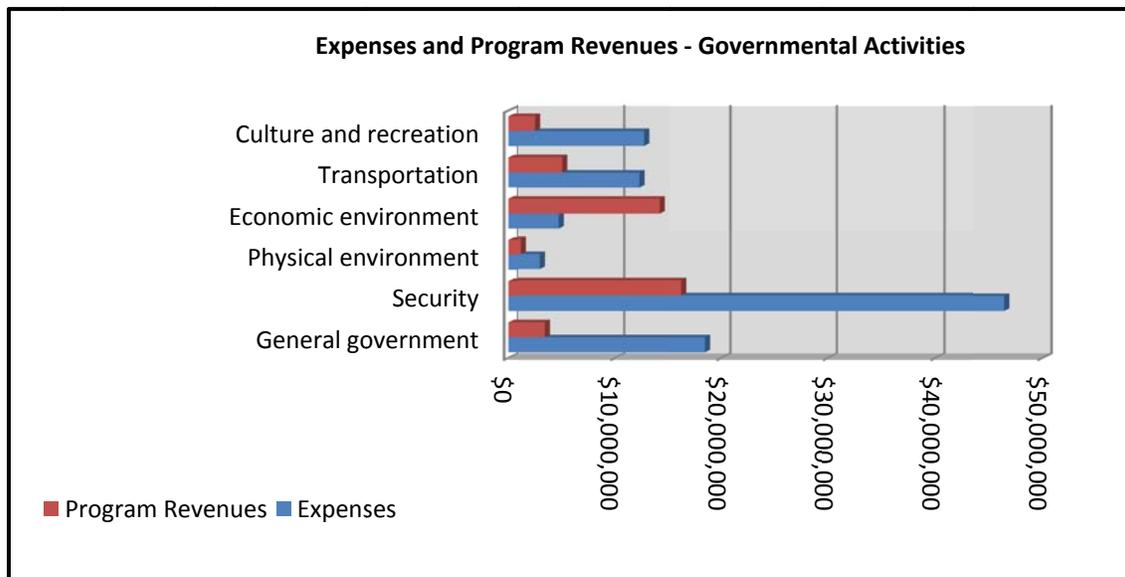
### Governmental activities

During the 2013 fiscal year, net position for governmental activities increased \$10.1 million (2.8%), compared to \$8.6 million (2.4%) in 2012. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by \$4.9 million (1.1%).

- Cash and investments reflect an increase of \$3.4 million from 2012 to 2013 (3.7%) while all other receivables, inventory and prepaid expenses decreased \$796,000 (7.2%).
- Investment in capital assets increased by \$818,000. This is consistent with the City's plans for investments in infrastructure and technology.
- Deferred outflows from debt refunding increased \$1.5 million. See note 13 to the financial statements for more information.
- Total liabilities from Governmental activities decreased by \$5.1 million (5.6%).
  - Debt decreased by \$2.5 million as a result of principal payments on debt previously held by the City. See Note 13 to the financial statements for more information.
  - Current liabilities decreased by \$2.7 million.
- The total revenue increased between 2012 and 2013 by \$610,000 or .6%.
  - Total tax revenues increased by \$1.7 million (2.7%) compared to 2012.
  - Miscellaneous revenues increased by \$833,000, primarily due to:
    - an increase of \$1.16 million in insurance recoveries in the internal service funds,
    - a \$306,000 reduction in rental income in governmental activities due to loss of rental space when the rental buildings were torn down to begin development of Downtown Park; and
    - a \$110,000 reduction in revenues from the sale of capital assets.
  - Program revenues decreased by \$1.5 million, mostly due to reductions in grants and contributions.
- Total expenses decreased by \$908,000, primarily due to decreases in capital outlays and interest on long-term debt.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the impact of various city functions on net position from operations before taxes, for the governmental activities for 2013.



## General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2013, several changes took place including:

- An increase of \$190,647 to recognize the difference between budgeted beginning fund balances and actual beginning fund balances.
- An increase of \$311,000 for Fire Station #11 fuel tank removal.
- A decrease of \$964,785 to eliminate the budget associated with the City's tax on its Water Utility that was repealed in January, 2014.
- An increase of \$1.3 million in expenditures to recognize changes in fire full-time personnel and other miscellaneous housekeeping adjustments.

The difference between the original budget and final budget for the general fund for the biennium 2013-2014 totaled an increase of \$134,459 in revenues, and an increase of \$622,657 in expenditures which results in an increase the anticipated deficiency of revenues over expenditures from \$3.2 million to \$3.7 million.

## Other Post-Employment Benefits (OPEB)

GASB Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions requires state and local governments to account for and report their costs associated with Other Post Employment (non-pension) Employee Benefits ("OPEB"), primarily for retired employee health care benefits. GASB 45 requires employers to account and report OPEB costs in the same manner as pensions. Under prior rules, OPEB costs were reported as an expense on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. GASB 45 requires that state and local governments adopt actuarial methodologies to determine annual OPEB costs. Annual OPEB costs are actuarially determined amounts that would provide sufficient resources to pay benefits as they come due, if paid on an ongoing basis. GASB 45 requires disclosure of the annual OPEB costs and does not require actual funding of the costs. The actuarial valuation determines the Annual Required Contribution ("ARC") for the employer.

The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) and (b) the amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for). The amortization period is not more than 30 years. If the City contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements. The City engaged Milliman as its actuary for purposes of estimating its actuarial unfunded OPEB liabilities. The estimate is based on certain assumptions that include: (i) a discount rate of 4%, (ii) 30 year amortization period, with 27 years remaining, (iii) medical inflation of 7.00%, (iv) long term care inflation rate of 4.75%, and (v) various demographic assumptions (mortality, disability, and retirement). The estimated actuarial accrued liability is \$14,664,000. The ARC estimated for calendar year 2013 is \$943,303. The City has a Net OPEB Obligation at the end of the year of \$3,115,171 which is included as a noncurrent liability in the Statement of Net Position.

Additional information is included in Note 10 – Other Post-Employment Benefits, in the Notes to the Financial Statements.

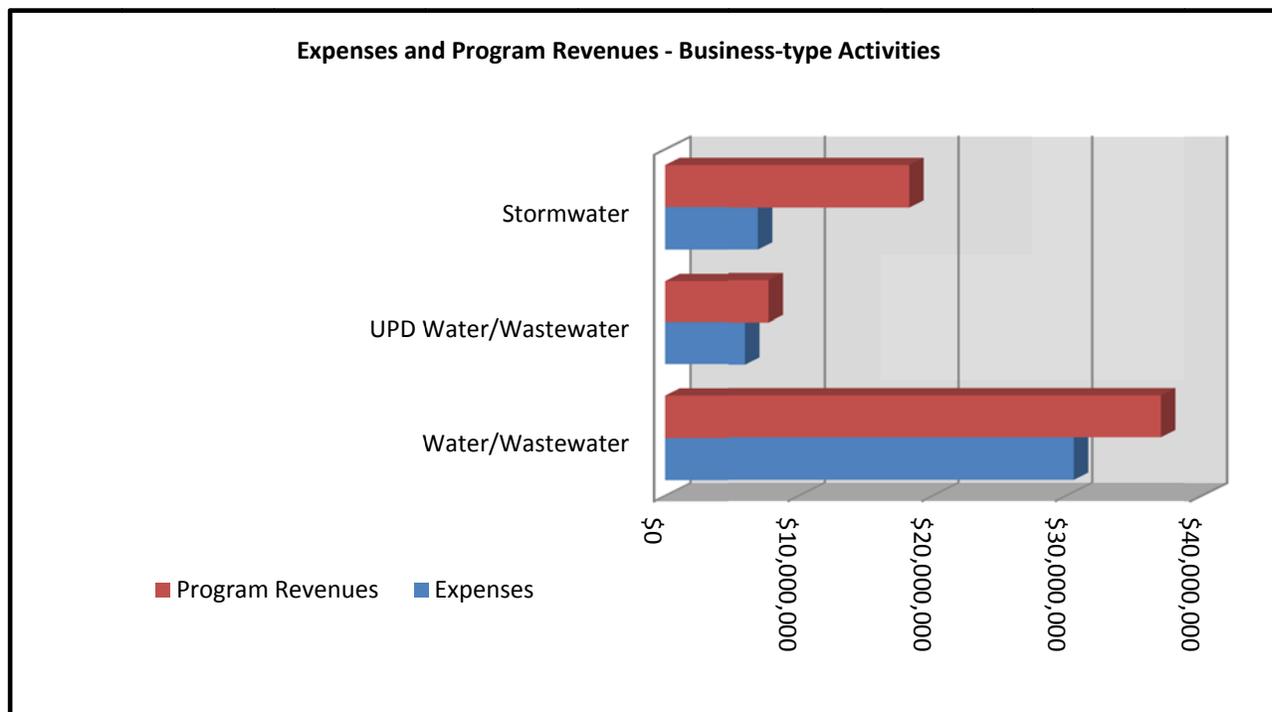
## Business-type Activities

Business-type activities account for 48.2% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by \$19.4 million (2.8%).

Key elements of this increase are as follows:

- Investment in capital assets increased \$17.9 million or 6.5% between 2012 and 2013.
- The Water/Wastewater utility showed operating income of \$2.2 million in 2013 (compared to \$1.3 million in 2012) while the UPD Water/Wastewater utilities showed an operating income of \$694,000 compared to \$478,000 in 2012. When non-operating income and capital contributions are included, the change in net position is \$6.2 million for the Water/Wastewater utility and \$1.8 million for the UPD Water/Wastewater utility.
- The City continued work on significant stormwater projects will create a regional stormwater vault in downtown Redmond. This project is tied to the acquisition of a rail corridor which was finalized in 2010. Construction on this project commenced in 2012. The total operating revenue for 2013 was \$11.5 million (\$11.1 million in 2012) with operating expenses of 6.9 million (\$7.2 million in 2012) for a net operating income of \$4.6 million (\$3.9 million in 2012). When non-operating income and capital contributions are included, the change in net position is \$11.3 million.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the business-type activities for 2013.



### City of Redmond's Capital Assets (net of depreciation)

The City of Redmond's investment in capital assets for its governmental and business-type activities (not including investment in joint ventures) as of December 31, 2013, amounts to \$641.5 million (net of accumulated depreciation) an increase of \$18.7 million from 2012, reflecting the City's continued commitment to investment in capital assets. This investment in capital assets includes land, art and construction in progress, which are not subject to depreciation. The other capital assets, buildings and building improvements, improvements other than buildings, machinery and equipment, and infrastructure are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$350.0 million in 2013, an increase of \$818,000 from 2012. Business-type capital assets (net of depreciation) totaled \$291.5 million, an increase of \$17.9 million from 2012. In addition to the effects of depreciation, these increases are the result of land

acquisitions, improvements to buildings and construction in progress. More information on the City's Capital Assets can be found in Note 8 – Capital Assets, in the Notes to the Financial Statements.

City of Redmond's Capital Assets  
(net of depreciation)  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 99,905	\$ 99,359	\$ 17,799	\$ 12,608	\$ 117,704	\$ 111,967
Buildings/ Bldg. Improvements	57,609	59,188	31,017	31,760	88,626	90,948
Improvements other than Buildings	19,083	19,293	224,226	220,581	243,309	239,874
Machinery and Equipment	10,195	11,976	243	98	10,438	12,074
Construction in Progress	9,605	5,799	18,220	8,579	27,825	14,378
Infrastructure	153,163	153,201	-	-	153,163	153,201
Art	470	396	-	-	470	396
<b>Total</b>	<b>\$ 350,030</b>	<b>\$ 349,212</b>	<b>\$ 291,505</b>	<b>\$ 273,626</b>	<b>\$ 641,535</b>	<b>\$ 622,838</b>

### City of Redmond's Outstanding Debt

At the end of 2013, the City of Redmond had total bonded debt outstanding of \$74.0 million. Of this amount, \$65.3 million is general obligation bonds (City Hall, Bear Creek Parkway and Parks); and \$8.7 million is revenue bonded debt for the water/wastewater utility.

City of Redmond's Long-term Debt  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 65,280	\$ 68,920	\$ -	\$ -	\$ 65,280	\$ 68,920
G.O. bond premiums	2,804	1,514	-	-	2,804	1,514
Revenue bonds	-	-	8,680	9,345	8,680	9,345
Revenue bond issuance premiums	-	-	239	263	239	263
Public Works Trust Fund loans	1,844	2,141	-	-	1,844	2,141
Other post-employment benefits	3,115	2,687	-	-	3,115	2,687
Compensated absences	3,838	4,081	545	524	4,383	4,605
<b>Total</b>	<b>\$ 76,881</b>	<b>\$ 79,343</b>	<b>\$ 9,464</b>	<b>\$ 10,132</b>	<b>\$ 86,345</b>	<b>\$ 89,475</b>

In September 2013 the City issued \$33,085,000 in limited tax general obligation refunding bonds to advance refund \$32,760,000 of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds for City Hall and the parking garage. The refunding resulted in deferred outflows of \$1,530,533. This

amount is being charged to operations through the year 2035 using the straight-line method. The 2013 unamortized balance of \$1,511,566 is reported as a deferred outflow in the statement of net position. For further details related to the outstanding debt please refer to note 13 – Long-term Obligations, in the Notes to the Financial Statements.

## Economic Factors and Next Year's Budget and Rates

The City has a budget that meets the needs of the community despite several years of revenue decreases. Through innovation and efficiencies, Redmond continues to provide quality services that meet or exceed the expectations of our community members. Strong financial stewardship and quality customer service is a hallmark of Redmond city government.

In 2013, revenue ended the year slightly below expectations, but was balanced by expenditures that were in excess of 8% below the authorized budget. The City experienced growth in sales tax on construction revenue as well as license and permits due to a surge in commercial development. This development surge continues and is anticipated to last beyond the 2013-2014 biennium.

The budget provides adequate funding for all City services while continuing to seek efficiencies in service delivery. In addition, the Capital Investment Program continues to remain strong with projects aligned with the City's vision of a community with connected neighborhoods and two vibrant urban centers.

## Requests for Information

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Finance & Information Services, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.