

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, 2014, and resulting changes in the financial position as of December 31, 2014. 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 2014, the City held a steady course focusing on the vision of two vibrant urban centers by continuing work in the downtown corridor, planning for future development in the Overlake area and connecting established neighborhoods. 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 \$747.0 million (net position), an increase of \$32.2 million or 4.5% over 2013. Of this amount, unrestricted net position totals \$127.1 million and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net position totals \$40.1 million and is earmarked for debt service, capital projects and special revenue funds.
- At December 31, 2014, the City's governmental activities reported combined ending net position of \$381.9 million, an increase of \$11.6 million over 2013. Approximately 14.7% of this amount (\$56.1 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's total outstanding long-term debt increased by \$21.9 million during the fiscal year due to issuance of utility revenue bonds of \$23.0 million with a premium of \$3.2 million, an increase of \$0.6 million in compensated absences and other post-employment benefits, and a reduction of \$4.9 million in principal payments and amortization of premiums. See note 12 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 investments 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 2014, the fund balance of the General Fund was \$34.8 million, which represents a decrease from the prior year of \$2.4 million.

General Fund revenues increased by \$2.2 million (2.6%) in 2014. The key elements of this increase are as follows:

- Taxes increased by \$1.1 million including growth in property taxes by \$0.8 million due to a rise in new construction, refunds and the 1% levy increase allowed by law. In addition, a net increase of \$0.4 million in utility taxes occurred through a combination of growth in electric and gas utility taxes (\$1.3 million) and elimination of the City's tax on its water utility (\$0.9 million) in response to a legislative change mitigating the original purpose of the imposition of the tax (the Lane vs. Seattle court case).
- Intergovernmental rose by \$0.6 million primarily due to an increase in grant revenue.
- Licenses and permits grew by \$0.5 million due to continuing recovery of the real estate market and increases in construction activity.

Increased revenues were partially offset by declines in sales tax (\$0.6 million), investment interest (\$0.08 million) and fines and forfeitures (\$0.2 million) due to low interest rates and the shift in the police department philosophy to a more community policing model.

General Fund expenditures increased \$1.6 million (2.1%) over 2013, due to an increase in Security of persons and property resulting from adjustments to overtime paid per the Fair Labor Standards Act to accommodate the firefighters 48/96 schedule. Additional increases included grant expenditures related to fire department activities, jail costs, a correction in fire department workers' compensation costs and hardware and software purchases to provide the police department with additional laptop computers.

The Capital Investments Program Fund (CIP 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 2014, the fund balance of the Capital Investments Program Fund was \$33.8 million, which represents an increase from the prior year of \$1.0 million.

Capital Investments Program Fund revenues increased by \$0.8 million (9.5%) in 2014, primarily due to grants.

Capital Investments Program Fund expenditures increased by \$4.2 million (41.8%) in 2014, due to projects such as improvements to Cleveland Street, construction of the Redmond Central Connector, the design of Downtown Park and constructing a roundabout on 116th Avenue.

Capital Investments Program Fund net transfers between other funds increased by \$1.3 million primarily due to additional transfers from the General Fund to support projects listed above.

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, and information technology. 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. The City has one component unit presented in the fiduciary statements, Redmond Community Facilities District, which was created in 2014 for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station. (See Note 14 – Component Units for additional information.)

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, 2013 and 2014 total \$714.8 million and \$747.0 million, respectively. The City's overall net position increased \$32.2 million (4.5%) 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 (\$580.0 million; 77.6%) 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 (\$40.1 million; 5.4%) 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 (\$8.9 million). The remaining balance of \$127.0 million (17.0%) 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 2014 compared to 2013.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 106,563	\$ 105,836	\$ 83,431	\$ 65,779	\$ 189,994	\$ 171,615
Capital assets, net of accumulated depreciation	357,292	350,030	318,357	291,505	675,649	641,535
Total assets	\$ 463,855	\$ 455,866	\$ 401,788	\$ 357,284	\$ 865,643	\$ 813,150
Deferred outflows	1,443	1,511	-	-	1,443	1,511
Total assets and deferred outflows	\$ 465,298	\$ 457,377	\$ 401,788	\$ 357,284	\$ 867,086	\$ 814,661
Long-term liabilities	\$ 73,621	\$ 76,881	\$ 34,581	\$ 9,464	\$ 108,202	\$ 86,345
Other liabilities	9,762	10,223	2,082	3,260	11,844	13,483
Total liabilities	\$ 83,383	\$ 87,104	\$ 36,663	\$ 12,724	\$ 120,046	\$ 99,828
Net Position						
Net investment in capital assets	\$ 292,662	\$ 281,614	\$ 287,209	\$ 282,586	\$ 579,871	\$ 564,200
Restricted	33,146	32,721	6,917	3,851	40,063	36,572
Unrestricted	56,106	55,938	70,999	58,123	127,105	114,061
Total net position	\$ 381,914	\$ 370,273	\$ 365,125	\$ 344,560	\$ 747,039	\$ 714,833

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 2014 and 2013.

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

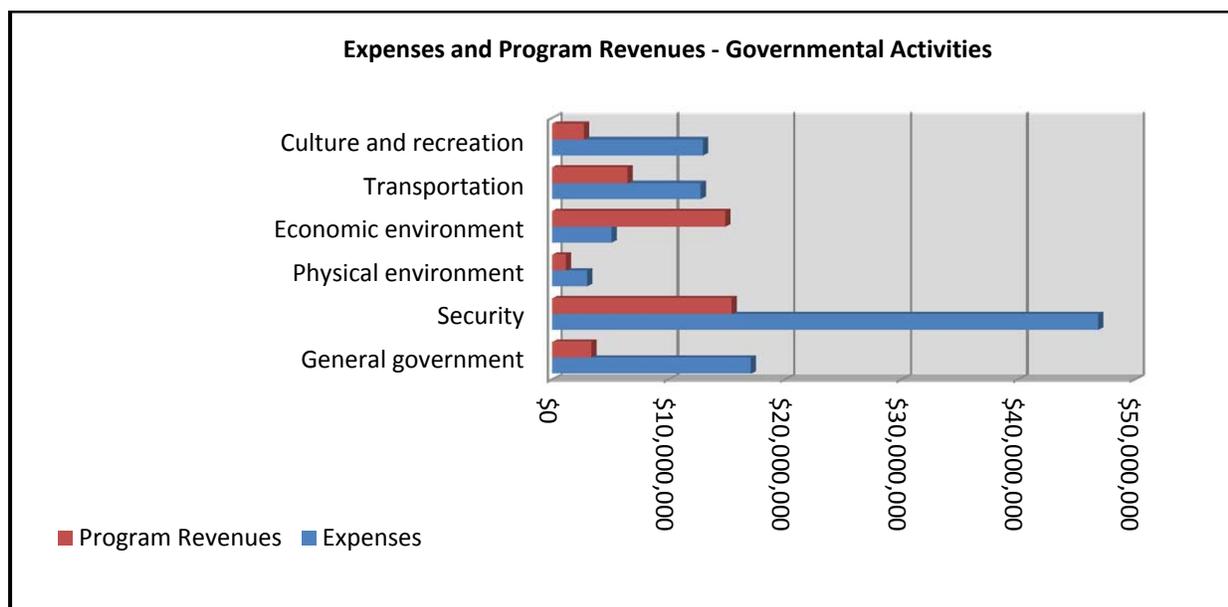
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 38,181	\$ 38,150	\$ 51,590	\$ 50,924	\$ 89,771	\$ 89,074
Operating grants and contributions	1,718	1,350	5,678	5,013	7,396	6,363
Capital grants and contributions	4,147	3,180	8,442	6,900	12,589	10,080
General revenues:						
Property taxes	22,817	22,234	-	-	22,817	22,234
Sales taxes	22,131	22,584	-	-	22,131	22,584
Other taxes	19,397	20,473	-	-	19,397	20,473
Investment interest	835	162	400	(186)	1,235	(24)
Miscellaneous	2,059	1,998	197	150	2,256	2,148
Total revenues	\$ 111,285	\$ 110,131	\$ 66,307	\$ 62,801	\$ 177,592	\$ 172,932
Expenses:						
General government	\$ 16,852	\$ 18,474	\$ -	\$ -	\$ 16,852	\$ 18,474
Security	46,622	46,494	-	-	46,622	46,494
Physical environment	2,950	2,991	-	-	2,950	2,991
Economic environment	4,984	4,738	-	-	4,984	4,738
Transportation	12,645	12,240	-	-	12,645	12,240
Culture and recreation	12,754	12,677	-	-	12,754	12,677
Interest on long term debt	2,837	2,433	669	-	3,506	2,433
Water/Wastewater	-	-	31,032	30,505	31,032	30,505
UPD Water/Wastewater	-	-	5,982	5,988	5,982	5,988
Stormwater	-	-	7,581	6,935	7,581	6,935
Loss on disposal of assets	-	-	478	-	478	-
Total expenses	\$ 99,644	\$ 100,047	\$ 45,742	\$ 43,428	\$ 145,386	\$ 143,475
Increase/(Decrease) in net position	11,641	10,084	20,565	19,373	32,206	29,457
Net position - beginning	370,273	360,189	344,560	325,187	714,833	685,376
Net position - ending	\$ 381,914	\$ 370,273	\$ 365,125	\$ 344,560	\$ 747,039	\$ 714,833

Governmental activities

During the 2014 fiscal year, net position for governmental activities increased \$11.6 million (3.1%), compared to \$10.1 million (2.8%) in 2013. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by \$7.7 million (1.7%).
 - Cash and investments reflect a decrease of \$1.2 million from 2013 to 2014 (1.3%) while all other receivables, inventory and prepaid expenses increased \$0.8 million (7.0%).
 - Investment in capital assets increased by \$7.3 million (2.1%). This is consistent with the City's plans for investments in infrastructure and technology.
 - Net pension asset increased \$1.0 million due to a change in reporting practices. See Note 19 – Accounting and Reporting Changes for additional information.
- Total liabilities from Governmental activities decreased by \$3.7 million (4.3%).
 - Debt decreased by \$3.3 million as a result of principal payments on debt previously held by the City. See Note 12 to the financial statements for more information.
 - Current liabilities decreased by \$0.5 million.
- Total revenue increased between 2013 and 2014 by \$1.2 million or 1.1%.
 - Total tax revenues decreased by \$1 million (1.4%) compared to 2013 due to larger growth in property sales in 2013 as compared to 2014.
 - Program revenues increased by \$1.4 million due to increases in grants and contributions.
 - Total expenses decreased by \$0.4 million, primarily due to non-recurring (one-time) expenses not budgeted in 2014.

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 2014.



General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2014, several changes took place including:

- Recognizing revenue and expenses related to the development surge being experienced by the City for a total of \$1,353,859. Grant revenues increased \$284,250 for projects and \$217,985 for special programs in the City's Fire and Planning Departments.
- Refinancing City Hall and recognizing the debt service associated with the deal of \$4,129,140. Additional contributions to the City's community events program totaling \$316,704.
- Other miscellaneous adjustments and corrections to the budget equaling \$58,718.

Total actual revenues came in \$7.0 million (4%) under budget due to various factors, including:

- Tax revenues came in \$3.07 million (2.5%) under budget. Telephone utility tax revenues decreased due to settlement of a court case with AT&T on taxable commodities as well as the continued saturation of the cellphone market. Electric and gas utility taxes have been declining for the last several biennia due to smaller than forecasted rate increases and conservation programs.
- Intergovernmental revenues were \$726K (3.4%) under budget due to delays in transportation projects that were not billed against grants.
- Fines and forfeitures were \$237K (14.4%) under budget, reflecting a shift in police patrol philosophy to a more community policing approach.
- Miscellaneous revenues came in \$1.55 million under budget due to lower than anticipated private and developer contributions as well as reclassification of a PERS contingency fund from miscellaneous revenue to reduction in expenditures.

Total actual expenditures were \$18.3 million (10.4%) under budget due to:

- General government expenditures were \$4.36 million (12.8%) under budget. The City budgets an economic contingency in the general fund to mitigate unanticipated swings in the economy. The City also budgets a salary and benefit contingency every biennium to mitigate contract settlement agreements that are higher than anticipated. Neither of these contingency funds was required to the extent budgeted.
- Security of persons and property was \$6.36 million (7.3%) under budget, primarily due to reductions in salary expenditures. Fire had six vacant FTEs for much of the 2013-2014 biennium. The biennial budget included funding for contract increases that didn't occur until early 2015 due to the timing of the contract settlement.
- Transportation expenditures were \$1.96 million (12.7%) under budget. Major maintenance for the 148th Ave NE Bridge was accomplished using a much lower cost solution.
- Capital outlays were \$4.15 million under budget. The Fire department was scheduled to replace a ladder truck and two engines during the 2013-2014 biennium. Fire is analyzing their specific vehicle needs and will purchase the equipment during the 2015-2016 biennium. In the Capital Equipment Replacement Fund equipment was not purchased due to either reassessment of life of the asset, analyzing the appropriate piece of equipment to purchase or a delay in computer replacement.

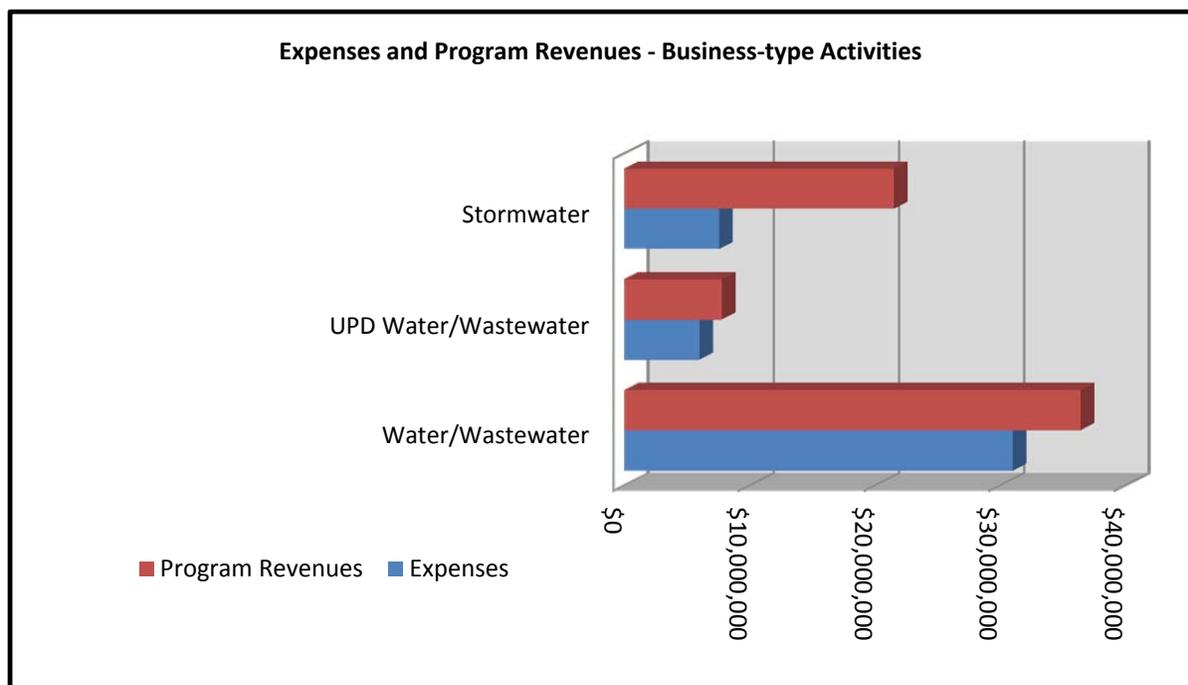
Business-type Activities

Business-type activities account for 48.9% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by \$20.6 million (2.9%).

Key elements of this increase are as follows:

- Investment in capital assets increased \$26.9 million or 9.2% between 2013 and 2014.
- The Water/Wastewater utility showed operating income of \$2.0 million in 2014 compared to \$2.2 million in 2013, primarily due to increases in costs for purchased water and metro services, while the UPD Water/Wastewater utilities showed an operating income of \$0.8 million compared to \$0.7 million in 2013, primarily due to increases in operating revenues. When non-operating income and capital contributions are included, the change in net position is \$4.8 million for the Water/Wastewater utility and \$2.0 million for the UPD Water/Wastewater utility.
- The Stormwater utility showed operating income of \$4.2 million in 2014 compared to \$4.6 million in 2013, primarily due to increases in maintenance and operations and depreciation and amortization expenses. When non-operating income and capital contributions are included, the change in net position is \$13.7 million, compared to \$11.3 million in 2013. This is primarily due to increases in grant revenues and capital contributions. The City's 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 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 2014.



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, 2014, amounts to \$675.6 million (net of accumulated depreciation) an increase of \$34.1 million from 2013, 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 \$357.3 million in 2014, an increase of \$7.3 from 2013. Business-type capital assets (net of depreciation) totaled \$318.4 million, an increase of \$26.9 million from 2013. 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 7 – 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 100,568	\$ 99,905	\$ 22,148	\$ 17,799	\$ 122,716	\$ 117,704
Buildings/ Bldg. Improvements	56,075	57,609	31,086	31,017	87,161	88,626
Improvements other than Buildings	18,554	19,083	225,759	224,226	244,313	243,309
Machinery and Equipment	10,343	10,195	268	243	10,611	10,438
Construction in Progress	20,013	9,605	39,096	18,220	59,109	27,825
Infrastructure	151,190	153,163	-	-	151,190	153,163
Art	549	470	-	-	549	470
Total	\$ 357,292	\$ 350,030	\$ 318,357	\$ 291,505	\$ 675,649	\$ 641,535

City of Redmond's Outstanding Debt

At the end of 2014, the City of Redmond had total bonded debt outstanding of \$92.4 million. Of this amount, \$61.8 million is general obligation bonds (City Hall, Bear Creek Parkway and Parks); and \$30.7 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 61,780	\$ 65,280	\$ -	\$ -	\$ 61,780	\$ 65,280
G.O. bond premiums	2,615	2,804	-	-	2,615	2,804
Revenue bonds	-	-	30,660	8,680	30,660	8,680
Revenue bond issuance premiums	-	-	3,381	239	3,381	239
Public Works Trust Fund loans	1,677	1,844	-	-	1,677	1,844
Other post-employment benefits	3,489	3,115	-	-	3,489	3,115
Compensated absences	4,060	3,838	540	545	4,600	4,383
Total	\$ 73,621	\$ 76,881	\$ 34,581	\$ 9,464	\$ 108,202	\$ 86,345

In September 2013 the City issued \$33.1 million in limited tax general obligation refunding bonds to advance refund \$32.8 million of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds for City Hall and the parking garage. The refunding resulted in deferred outflows of \$1.5 million. This amount is being charged to operations through the year 2035 using the straight-line method. The 2014 unamortized balance of \$1.4 million is reported as a deferred outflow in the statement of net position. For further details related to the outstanding debt please refer to note 12 – Long-term Obligations, in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The City of Redmond budget is an important part of Redmond's Six-Year Financial Plan that is focused on the good of the community and guided by a robust public process. The Six-Year Financial Plan builds upon the City's sound financial strategy by providing a framework that allows the City to "catch up" with needed maintenance, "keep up" with growth and demands for service and "step up" to some of the needs and opportunities that should be acted upon. 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 and is evidenced by the City's AAA bond rating.

In 2014, General Fund revenue ended the year slightly below expectations, but was balanced by General Fund expenditures that were in excess of 7% below the authorized budget. The City experienced growth in license and permits due to a surge in commercial development activity which is anticipated to last beyond the 2014. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares. In addition, planning and construction continues in the Overlake area to anticipate the neighborhood's needs when light rail becomes a part of the area. The City has fostered relationships, both private and with other government organizations, to ensure Overlake continues to be a thriving neighborhood. Lastly, the City is investing in connecting neighborhoods and keeping up with infrastructure maintenance through investments in parks and trails, infrastructure rehabilitation and safety improvements.

The City's Six-Year Financial Plan 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.