

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, 2015, and resulting changes in the financial position as of December 31, 2015. 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 2015, 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 \$783.9 million (net position), an increase of \$36.9 million or 4.9% over 2014. Of this amount, unrestricted net position totals \$93.0 million and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net position totals \$51.9 million and is earmarked for debt service, capital projects and special revenue funds.
- At December 31, 2015, the City's governmental activities reported combined ending net position of \$405.4 million, an increase of \$23.5 million over 2014. Approximately 6.9% of this amount (\$27.9 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 \$27.4 million during the fiscal year. This is primarily due to the implementation of GASB Statement No. 68 Accounting and Reporting for Pensions (\$27.0 million), issuance of public works trust fund bonds of \$4.4 million, an increase in compensated absences and other post-employment benefits of \$1.0 million, and a reduction of \$4.6 million due to principal payments and amortization of premiums. See notes 11 and 17 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 of 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 2015, the fund balance of the General Fund was \$37.2 million, which represents an increase from the prior year of \$2.4 million.

General Fund revenues increased by \$6.1 million (7.1%) in 2015. The key elements of this increase are as follows:

- Taxes increased by \$3.3 million including growth in property taxes by \$0.6 million due to a rise in new construction, refunds and the 1% levy increase allowed by law. Redmond also experienced growth in sales tax including a net increase of \$3.0 million due to the economic recovery as well as a one-time research and development tax exemption Department of Revenue audit reimbursement of \$1.4 million in December. Utility taxes also experienced positive growth (\$0.6 million) due to the imposition of a new cable utility tax (\$0.3 million) and a net increase of electrical utility taxes (\$0.3 million). These increases were offset by small losses in gas utility and cell phone taxes.
- Charges for services increased by \$9.5 million due to a change in the State of Washington BARS designation of certain emergency services revenue from the intergovernmental category to charges for services. Fire services to Fire District #34 and basic life support services paid for by King County make up \$8.3 million of the net change. Additionally, reimbursements for these two services increased by \$0.9 million due to increases in salary and benefits, overtime and emergency medical supply costs.
- Licenses and permits grew by \$0.8 million due to continuing recovery of the real estate market and increases in construction activity.
- These increases were partially offset by decreases in Intergovernmental revenues of \$7.5 million, primarily due to a decrease in grant revenue and the change in State of Washington BARS designations for some emergency services revenues from intergovernmental to charges for services as explained above.

General Fund expenditures increased \$4.9 million (6.1%) over 2014, due to an increase in General Government and Security of persons and property resulting from a residual adjustment to overtime paid per the Fair Labor Standards Act to accommodate the unique schedules used by firefighters (\$0.9 million). Additional increases included grant expenditures related to police personnel and crime analysis, jail costs, court fees, movement of contributions for fire vehicle replacement from the City's capital improvement program to the General Fund and increases in sick leave and retiree payouts due to retirements.

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 2015, the fund balance of the Capital Investments Program Fund was \$25.5 million, which represents a decrease from the prior year of \$8.3 million.

Capital Investment Program Fund revenues decreased by \$3.0 million (32.6%) in 2015, primarily due to grants.

Capital Investment Program Fund expenditures increased by \$7.0 million (49.0%) in 2015, due to projects such as Cleveland Streetscape improvements, completion of the Redmond Central Connector, the design of Downtown Park, the design of the one-way street conversion for Redmond Way, renovation of the Public Safety Building and construction of 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 capital investment fund projects, some of which are mentioned 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 among the agency funds in the fiduciary statements, the 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 13 – 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, 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, 2014 and 2015 total \$747.0 million and \$783.9 million, respectively. The City's overall net position increased \$36.9 million (4.9%) 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 (\$639.0 million; 81.5%) 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 (\$51.9 million; 6.6%) represents resources that are subject to external restrictions on how they may be used. The largest portion of these funds is restricted for capital projects (\$18.4 million), net pension asset (\$11.1 million), and police, fire and advance life support (\$8.8 million). The remaining balance of \$93.0 million (11.9%) 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 2015 compared to 2014.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 104,691	\$ 105,562	\$ 86,755	\$ 83,431	\$ 191,446	\$ 188,993
Net pension asset	11,084	1,001	-	-	11,084	1,001
Capital assets, net of accumulated depreciation	395,396	357,292	336,859	318,357	732,255	675,649
Total assets	\$ 511,171	\$ 463,855	\$ 423,614	\$ 401,788	\$ 934,785	\$ 865,643
Deferred outflows:						
Debt refunding	2,323	1,443	-	-	2,323	1,443
Pensions	4,203	-	625	-	4,828	-
Total assets and deferred outflows	\$ 517,697	\$ 465,298	\$ 424,239	\$ 401,788	\$ 941,936	\$ 867,086
Long-term liabilities	\$ 71,669	\$ 73,621	\$ 36,889	\$ 34,581	\$ 108,558	\$ 108,202
Net pension liability	21,885	-	5,122	-	27,007	-
Other liabilities	12,268	9,762	2,876	2,082	15,144	11,844
Total liabilities	\$ 105,822	\$ 83,383	\$ 44,887	\$ 36,663	\$ 150,709	\$ 120,046
Deferred inflows - Pensions	6,514	-	783	-	7,297	-
Total liabilities and deferred inflows	\$ 112,336	\$ 83,383	\$ 45,670	\$ 36,663	\$ 158,006	\$ 120,046
Net investment in capital assets	\$ 334,538	\$ 292,662	\$ 304,494	\$ 287,209	\$ 639,032	\$ 579,871
Restricted	42,937	33,146	8,917	6,917	51,855	40,063
Unrestricted	27,885	56,106	65,158	70,999	93,043	127,105
Total net position	\$ 405,361	\$ 381,914	\$ 378,569	\$ 365,125	\$ 783,930	\$ 747,039

Changes in net position

The change 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 2015 and 2014.

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

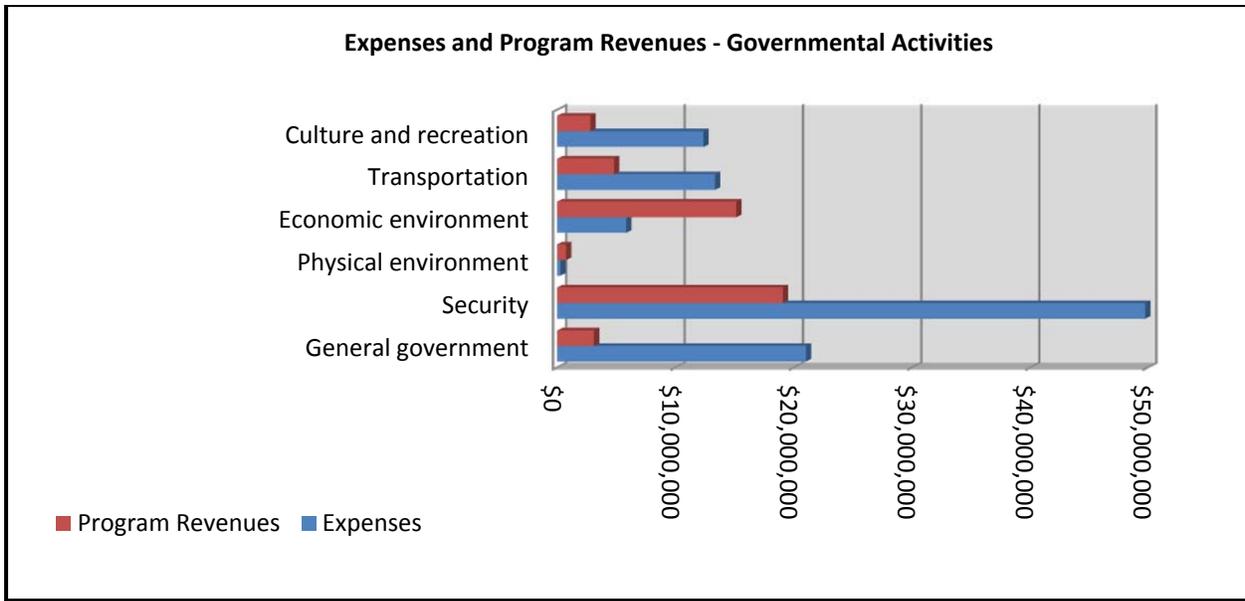
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 39,907	\$ 38,181	\$ 54,544	\$ 51,590	\$ 94,451	\$ 89,771
Operating grants and contributions	1,898	1,718	2,671	5,678	4,569	7,396
Capital grants and contributions	3,913	4,147	8,433	8,442	12,346	12,589
General revenues:						
Property taxes	23,564	22,817	-	-	23,564	22,817
Sales taxes	25,385	22,131	-	-	25,385	22,131
Other taxes	23,171	19,397	-	-	23,171	19,397
Investment interest	765	835	434	400	1,199	1,235
Miscellaneous	4,880	2,059	279	197	5,159	2,256
Total revenues	\$ 123,483	\$ 111,285	\$ 66,361	\$ 66,307	\$ 189,844	\$ 177,592
Expenses:						
General government	\$ 21,021	\$ 16,852	\$ -	\$ -	\$ 21,021	\$ 16,852
Security	49,832	46,622	-	-	49,832	46,622
Physical environment	286	2,950	-	-	286	2,950
Economic environment	5,851	4,984	-	-	5,851	4,984
Transportation	13,339	12,645	-	-	13,339	12,645
Culture and recreation	12,358	12,754	-	-	12,358	12,754
Interest on long term debt	2,731	2,837	917	669	3,648	3,506
Water/Wastewater	-	-	32,592	31,032	32,592	31,032
UPD Water/Wastewater	-	-	5,900	5,982	5,900	5,982
Stormwater	-	-	7,989	7,581	7,989	7,581
Loss on disposal of assets	-	-	56	478	56	478
Total expenses	\$ 105,418	\$ 99,644	\$ 47,454	\$ 45,742	\$ 152,872	\$ 145,386
Increase/(Decrease) in net position	18,065	11,641	18,907	20,565	36,972	32,206
Net position - beginning	381,914	370,273	365,125	344,560	747,039	714,833
Prior period adjustments	22,209	-	-	-	22,209	-
Changes in accounting principles-GASB 68	(16,827)	-	(5,463)	-	(22,290)	-
Net position - ending	\$ 405,361	\$ 381,914	\$ 378,569	\$ 365,125	\$ 783,930	\$ 747,039

Governmental activities

During the 2015 fiscal year, net position for governmental activities increased \$23.5 million (6.1%), compared to \$11.6 million (3.1%) in 2014. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by \$52.4 million (11.3%).
 - Cash and investments reflect a decrease of \$3.1 million from 2014 to 2015 (3.3%) while taxes receivable increased \$2.7 million (46.6%), and all other receivables, inventory and prepaid expenses decreased \$0.5 million (10.1%).
 - Investment in capital assets increased by \$38.1 million (10.7%). \$22.8 million of this increase is due to prior period adjustments for contributed land rights for 2010 – 2014 that were not previously reported. The remaining increase of \$15.3 million is consistent with the City's plans for investments in infrastructure and technology.
 - Net pension asset increased \$10.1 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions. See Note 17 – Accounting and Reporting Changes for additional information.
- Total liabilities and deferred inflows from Governmental activities increased by \$29.0 million (34.7%).
 - Debt decreased by \$2.0 million as a result of principal payments on debt previously held by the City. See Note 11 to the financial statements for more information.
 - Net pension liability increased by \$21.9 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions. See Note 17 – Accounting and Reporting Changes for additional information.
 - Other current liabilities increased by \$2.5 million, primarily due to accrual of employee wages payable.
- Total revenue increased between 2014 and 2015 by \$12.2 million or 11.0%.
 - Total tax revenues increased by \$7.8 million (12.1%) compared to 2014 due to larger growth in property taxes, sales taxes and excise taxes in 2015 as compared to 2014.
 - Program revenues increased by \$1.7 million due to increases in King County Emergency Medical Services funding for reimbursements to the City for salary, benefits and overtime reimbursement due to a fair labor standards act analysis as well as an increase in unit allocations for advanced life support services.
 - Total expenses increased by \$5.8 million, primarily due to increases in full-time equivalent employees to respond to the development surge and development agreements with business owners. Additional increases are attributable to capital construction to further the goals of the City's Capital Investment Strategy.

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 2015.



General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2015, several changes took place including:

- Recognizing the difference between budgeted and actual fund beginning fund balances for a total increase of \$36 million.
- Recognizing additional revenue and staffing to support the Sound Transit East Link Light Rail development agreement (\$0.8 million).
- Other miscellaneous adjustments for small grants.

Total actual revenues came in \$1.3 million (2%) over budget, including fund balances, due to various factors, including:

- Utility tax revenues accounted for most of the net change, coming in at \$1.2 million (12.6%) over budget. Utility taxes had been declining in previous years, but in 2015 the City experienced an increase largely attributable to higher electric utility taxes (\$1.0 million net increase).
- Other smaller increases occurred in state entitlements as well as intergovernmental revenue.

Total actual expenditures were \$6 million (7%) under budget in the General Fund due to:

- Of the \$6 million under expenditures, \$4.5 million occurred in the General government category including \$2.7 in the City’s economic contingency used to ease 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. The savings from this contingency equals \$1.1 million. At this point in the biennium neither of the contingencies has been expended.
- Salary savings in 2015 equals \$2.3 million in the General Fund of which \$1.6 million is attributable to the public safety departments.

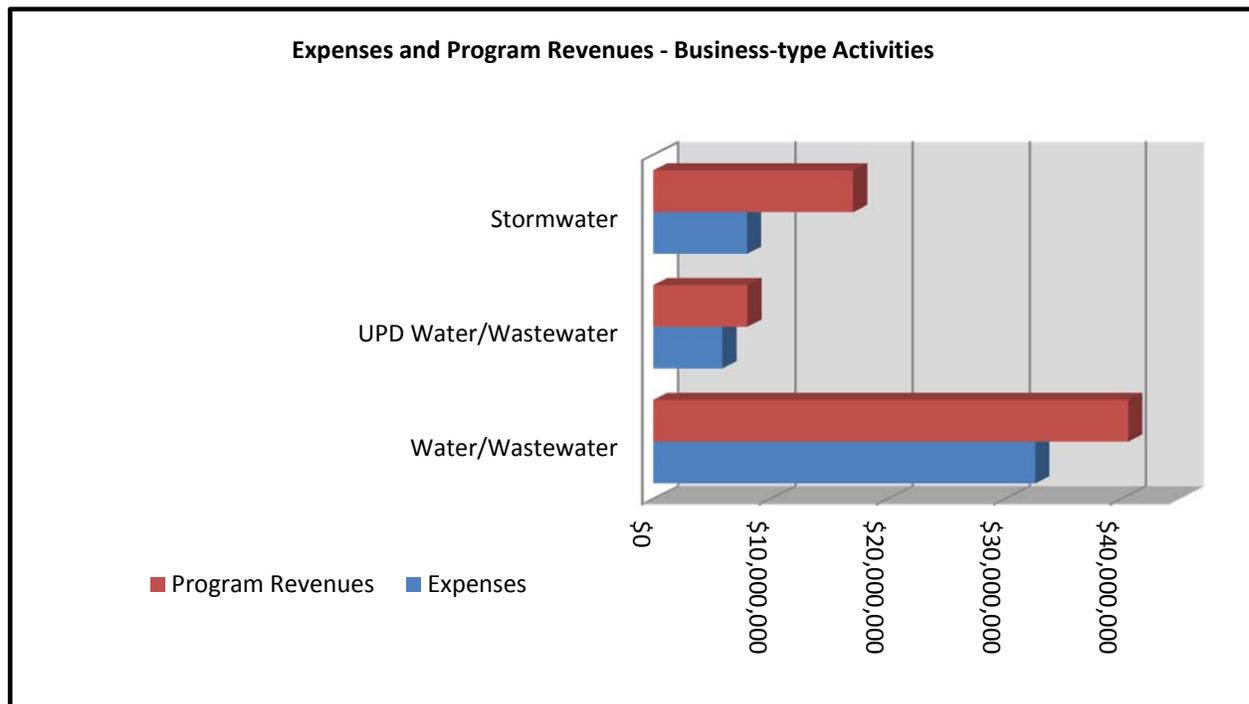
Business-type Activities

Business-type activities account for 48.3% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by \$13.4 million (1.8%).

Key elements of this increase are as follows:

- Investment in capital assets increased \$18.5 million or 5.8% between 2014 and 2015.
- The Water/Wastewater utility showed operating income of \$3.0 million in 2015 compared to \$2.0 million in 2014, while the Novelty Hill Water/Wastewater utilities showed an operating income of \$1.0 million compared to \$0.8 million in 2014. These increases were primarily due to increase water demands caused by above normal temperatures during the summer months and a higher level of development activities than seen in the previous year. When non-operating income and capital contributions are included, the change in net position is \$8.3 million for the Water/Wastewater utility and \$2.3 million for the UPD Water/Wastewater utility.
- The Storm water utility showed operating income of \$4.0 million in 2015 compared to \$4.2 million in 2014, primarily due to increases in maintenance and operations and depreciation expenses primarily due to delivery of significant capital projects. When non-operating income and capital contributions are included, the change in net position is \$8.3 million, compared to \$13.7 million in 2014. This is primarily due to decreases in grant revenues and capital contributions. The City completed significant work on the South Overlake Stormwater Vault in the Overlake neighborhood and the Redmond Way Water Quality Facility in the Downtown neighborhood. Both projects are key infrastructure for the City's regional stormwater system.

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 2015.



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, 2015, amounts to \$732.3 million (net of accumulated depreciation) an increase of \$56.6 million from 2014. 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 \$395.4 million in 2015, an increase of \$38.1 million from 2014. \$22.8 million of this increase is due to prior period adjustments to capitalize contributed land rights from 2010 – 2014. Business-type capital assets (net of depreciation) totaled \$336.9 million, an increase of \$18.5 million from 2014. 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 6 – 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	
	2015	2014	2015	2014	2015	2014
Land & Land Rights	\$ 126,464	\$ 100,568	\$ 25,620	\$ 22,148	\$ 152,084	\$ 122,716
Buildings/ Bldg. Improvements	55,021	56,075	30,326	31,086	85,347	87,161
Improvements other than Buildings	19,895	18,554	268,996	225,759	288,891	244,313
Machinery and Equipment	10,436	10,343	921	268	11,357	10,611
Construction in Progress	17,626	20,013	10,996	39,096	28,622	59,109
Infrastructure	165,405	151,190	-	-	165,405	151,190
Art	549	549	-	-	549	549
Total	\$ 395,396	\$ 357,292	\$ 336,859	\$ 318,357	\$ 732,255	\$ 675,649

City of Redmond's Outstanding Debt

At the end of 2015, the City of Redmond had total bonded debt outstanding of \$87.7 million. Of this amount, \$58.5 million is general obligation bonds (City Hall, Bear Creek Parkway and Parks); and \$29.2 million is revenue bonded debt for the water/wastewater and stormwater utilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 58,530	\$ 61,780	\$ -	\$ -	\$ 58,530	\$ 61,780
G.O. bond premiums	3,140	2,615	-	-	3,140	2,615
Revenue bonds	-	-	29,170	30,660	29,170	30,660
Revenue bond issuance premiums	-	-	3,195	3,381	3,195	3,381
Public Works Trust Fund loans	1,511	1,677	4,412	-	5,923	1,677
Other post-employment benefits	4,032	3,489	-	-	4,032	3,489
Compensated absences	4,456	4,060	563	540	5,019	4,600
Net pension liability	21,885	-	5,122	-	27,007	-
Total	\$ 93,554	\$ 73,621	\$ 42,462	\$ 34,581	\$ 136,016	\$ 108,202

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. In December, 2015, the City issued \$9,280,000 in limited tax general obligation refunding bonds with an interest rate of 3.00% to advance refund \$8,940,000 of outstanding 2008 Limited Tax General Obligation Bonds. The refunding resulted in deferred outflows of \$1.0 million. The 2015 unamortized balance of \$2.3 million is reported as a deferred outflow in the statement of net position.

As discussed in Note 17, Net pension assets increased \$10.1 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions.

As discussed in Note 18 – Subsequent Events, the City issued an additional \$17,630,000 in Limited Tax General Obligation and Refunding Bonds in January 2016.

For further details related to the outstanding debt please refer to note 11 – 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 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 2015. General Fund revenue ended the year slightly over expectations due to a one-time audit reimbursement in sales tax. Departments successfully managed their expenditures and as a result

General Fund expenditures were approximately 7% below the authorized budget. The City experienced growth in licenses and permits due to a surge in commercial development activity which began in 2014 and is anticipated to last beyond 2015. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park (beginning construction in 2017) and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares (construction is anticipated starting in 2016). The City will continue to make investments in parks and trails, infrastructure rehabilitation and safety improvements, most notably the renovation of the Public Safety Building which houses the Redmond Police Department.

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.