
BUDGET AT A GLANCE

**BUDGET OVERVIEW
CITYWIDE BUDGET SUMMARY
CITYWIDE FTE SUMMARY**

BUDGET OVERVIEW

2017-2018 ADOPTED BUDGET

CITY OF REDMOND

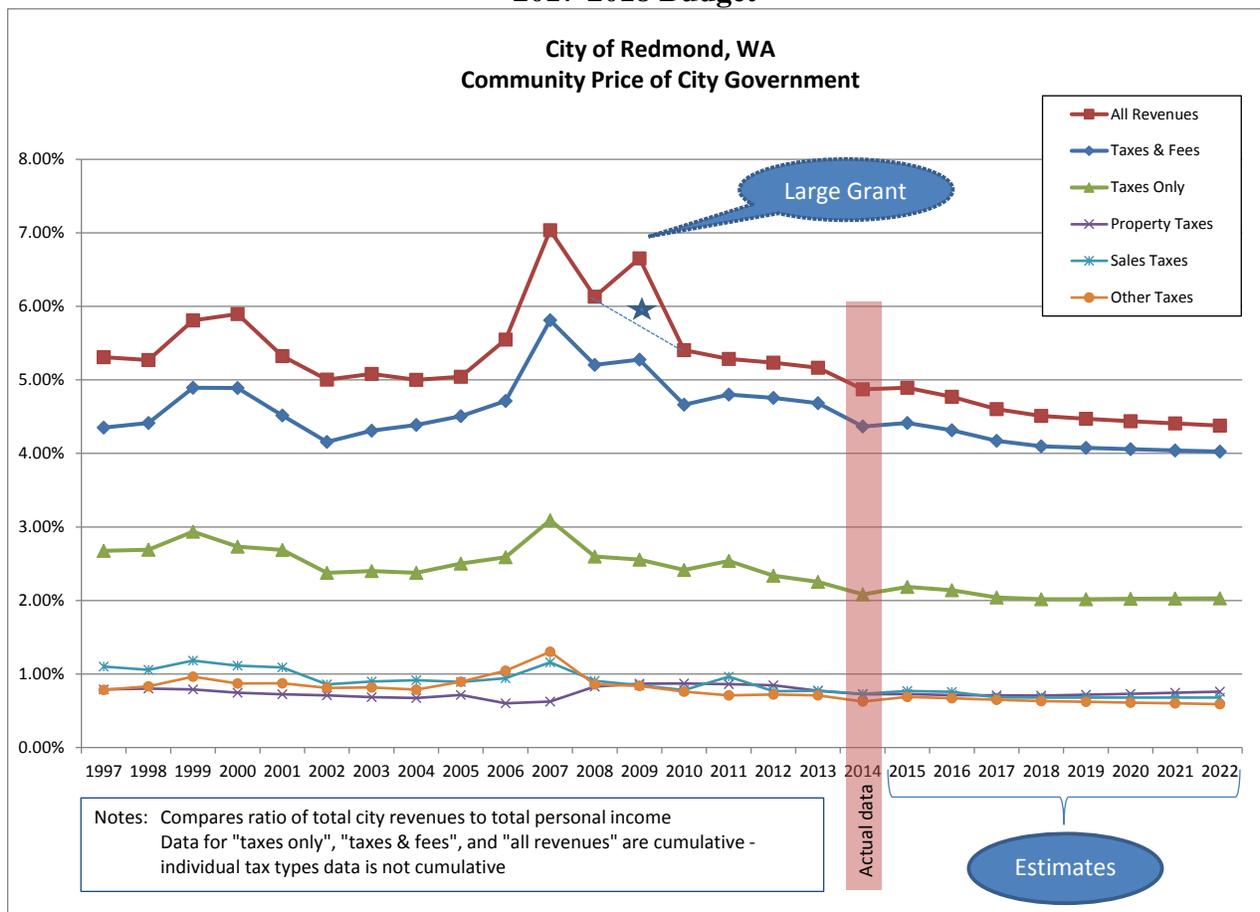
The Budget Overview serves as a review of the recommended 2017-2018 financial plan and includes revenue and expenditure projections over the biennium based on the City’s six-year forecast. This budget continues to use the priorities defined by the Redmond community in 2008 (with subsequent revisions) and expands on these concepts in pursuit of Redmond’s long-range vision.

The process used by the City, known as Budgeting by Priorities (BP), relies on the Price of Government concept outlined in the book Price of Government by David Osborne and Peter Hutchison.

PRICE OF GOVERNMENT

The Price of Government is literally defined as the sum of all taxes, fees and charges collected by all sectors of government divided by the aggregate personal income of that government’s constituents. The calculation is used to define the band within which residents are willing to pay for government services. The Price of Government for Redmond, illustrated below, shows all revenues as a percent of personal income fell to 4.9% in the 2015-2016 biennium and is projected to continue to decline to 4.6% in 2017-2018.

The Price of Government
City of Redmond, Washington
2017-2018 Budget

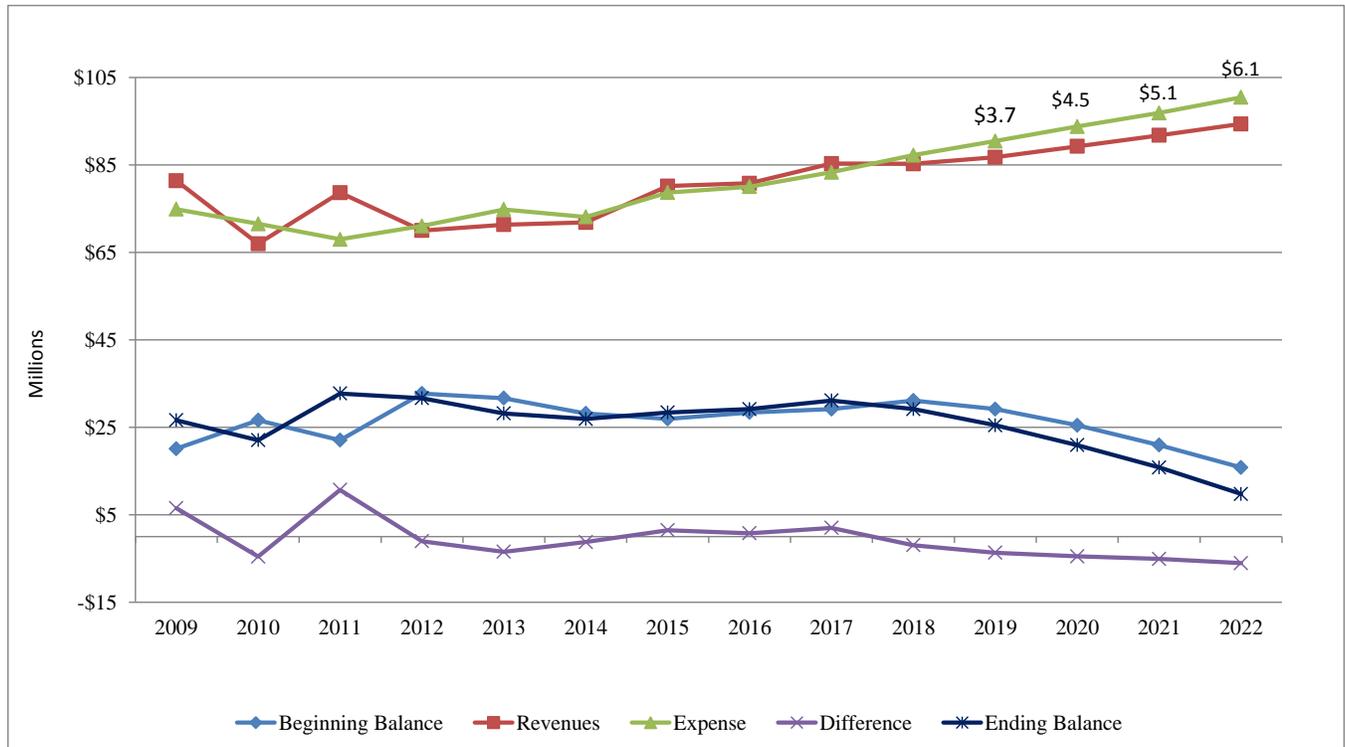


Keeping the Price of Government in mind (the “price”), this budget continues to conservatively forecast revenues and rely on right-sizing costs, innovation and efficiencies, and matching service expenditures with demand to balance Redmond’s resources. As revenue collections fall below a “price” of 5%, fewer resources are available to maintain current levels of service. The long range financial strategy targets the price of government between 5% – 5.5%. Given current revenue projections the “price” will hover between 4%-5% for the foreseeable future without additional revenue increases.

LONG RANGE FINANCIAL STRATEGY

Redmond’s General Fund Six-Year Financial Forecast identifies revenue and expenditure expectations that extend beyond the biennial budget. Redmond aligns forecast assumptions with policies outlined in the City Council’s long-range strategic financial plan, as well as the goals articulated in budget formulation. The 2017-2018 forecast has showed modest growth in some revenues such as property tax, sales tax utility taxes and development revenue. Although the revenue outlook is better, the City remains cautionary due to the volatility of some revenue sources such as sales tax and development revenue, the potential for decreases in state-shared revenues and uncertain impacts on the expenditure side for retirement and medical costs. The chart below illustrates an updated long-range finance forecast and shows projected gaps in future budgets.

**City of Redmond 2017-2018 General Fund Budget
Estimated Gap Based on Budgeted Revenues and Expenditures**



These revenue and expenditure trends take into account the volatility and diversity of each revenue source and the ongoing and/or one-time nature of municipal costs. A more detailed explanation of sources and uses can be found on the following pages.

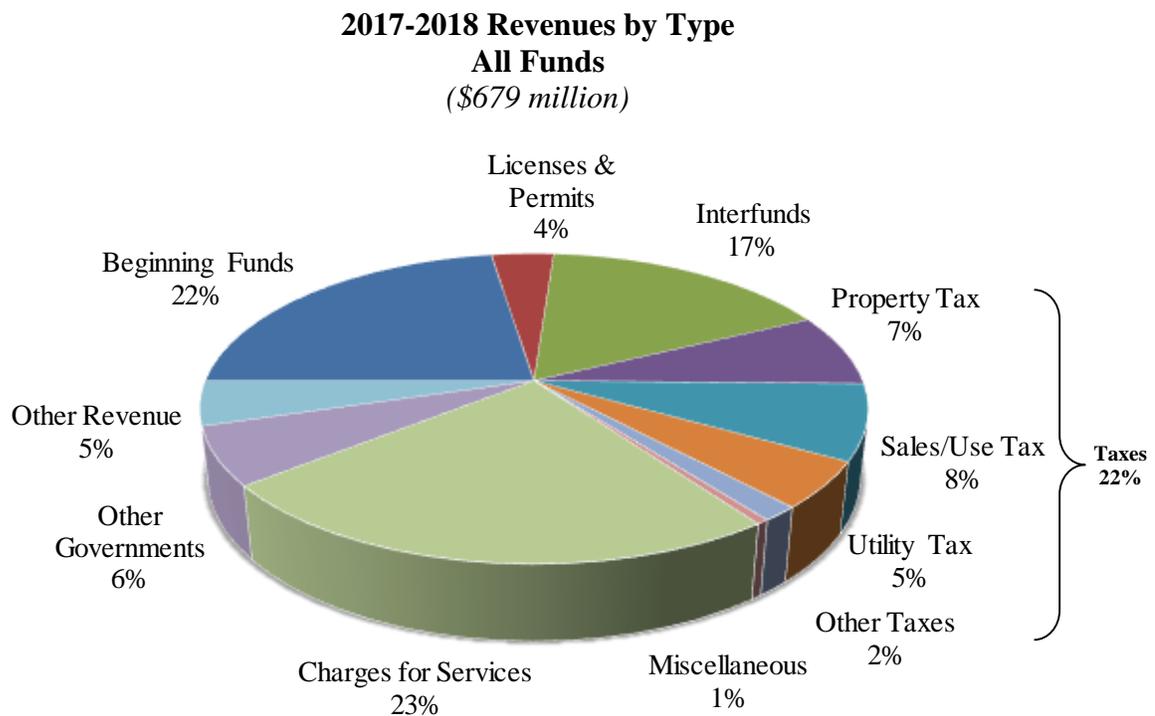
MAJOR REVENUES & EXPENDITURES

The City of Redmond is a non-charter code city with authority to levy or assess all revenues generally available to all classes of cities and towns in Washington State. The government-wide financial statements in the City’s Annual Financial Report are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The budget is developed using the modified accrual basis of accounting for all funds.

Revenue and Expenditure Summary

The Revenue and Expenditure Summary includes a discussion of major revenues utilized by the City and information on major factors affecting those sources.

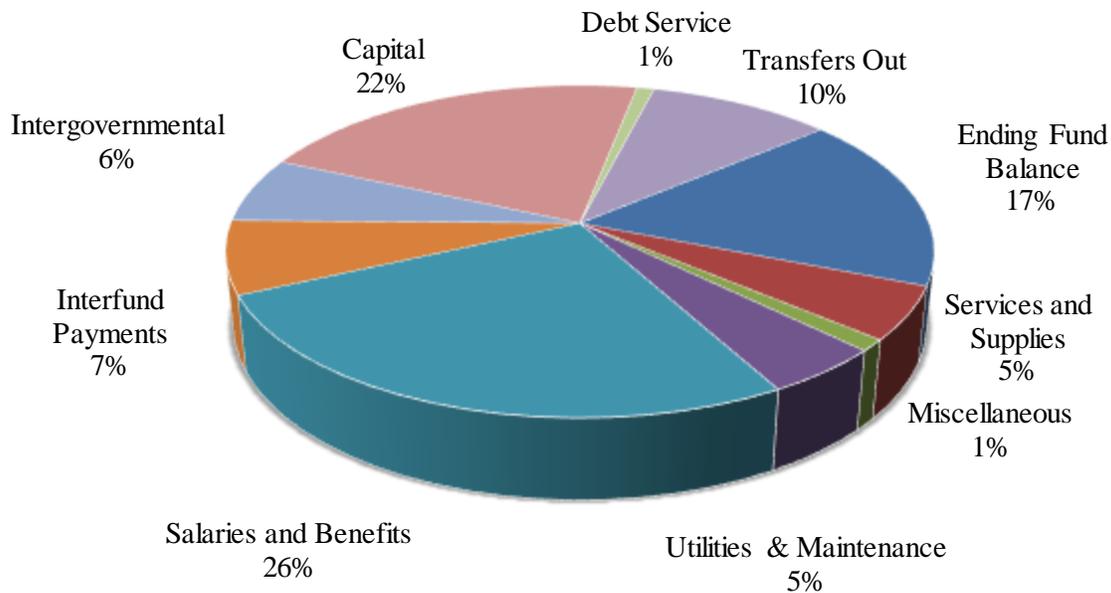
Total revenues over the biennium equal \$679 million, including beginning fund balances and transfers; this is an approximate 10% increase over the 2015-2016 biennium. The budget includes a series of transfers between the capital maintenance and construction funds, between capital construction funds for various projects and between the General Fund and the capital funds which has the effect of double counting these amounts. The budget includes a 1% property tax increase, an inflationary increase on the business tax and a 2% water utility rate increases as described in the following pages. The components of the City’s 2017-2018 revenue sources are shown in the graph below.



On the expenditure side, in the 2017-2018 Budget, the General Fund has increased to support development review service demands, address the regulatory requirements of low impact developments, make investments in strategic technology and address homelessness advocacy. In other funds, specifically capital, the budget has increased due to one-time money being committed to affordable

housing, maintenance and renovation of City buildings and commitments to the City’s vision of two vibrant urban centers and connected neighborhoods. In addition, the budget conforms to all Council policy directives regarding reserves and transfers to the Capital Investment Program (CIP). (See the Budget by Fund section for a financial summary of sources and uses of City funds.)

2017-2018 Expenditures by Type
All Funds
 (\$679 million)



As in most service organizations, salary and benefits make up a majority of budgeted costs. The number of full-time equivalent (FTE) employees are expected to increase by 10.14, a combination of converting 1.5 limited duration employees who have been providing construction and wellhead protection services to the community to regular employees, 0.64 FTEs added to part-time employees to make them full-time, two additions to the workforce focusing on low-impact development regulations and programs,

one police officer in investigations to concentrate on the rising number of property crimes, one Parks maintenance technician to assist in maintaining our service levels in City parks, a 0.50 FTE in the Office of Emergency Management, a homelessness advocate and two additional employees to focus on records management and communications. In addition to increasing FTEs, some staff will be realigned to work in the City’s proposed Customer Service Center, supplement staffing in the Office of Emergency Management and support the Police Department reorganization.

2017-2018 FTE	
Department	Additions
Executive	1.00
Finance	1.00
Fire	0.50
Parks	1.00
Planning	1.44
Police	1.00
Public Works	4.20
Total	10.14
Conversion from Limited Duration Status to Regular	-1.50
Net Total Additional FTEs	8.64

Challenges to balancing the budget were met through a variety of reductions that focused on gaining additional efficiencies in current operations, proposed increases in City revenues and eliminating some new requests. Adjustments to expenditures include:

- Aligning requests with the City’s key strategic initiatives;
- Increasing or realigning staffing to focus on new regulations (e.g. low impact development), maintaining recently constructed capital improvements or increasing levels of service for communications and records management;
- Increasing human service contributions to support homelessness advocacy and affordable housing;
- Continue making investments in technology, maintain reserves and contingencies and planning for Redmond’s future.

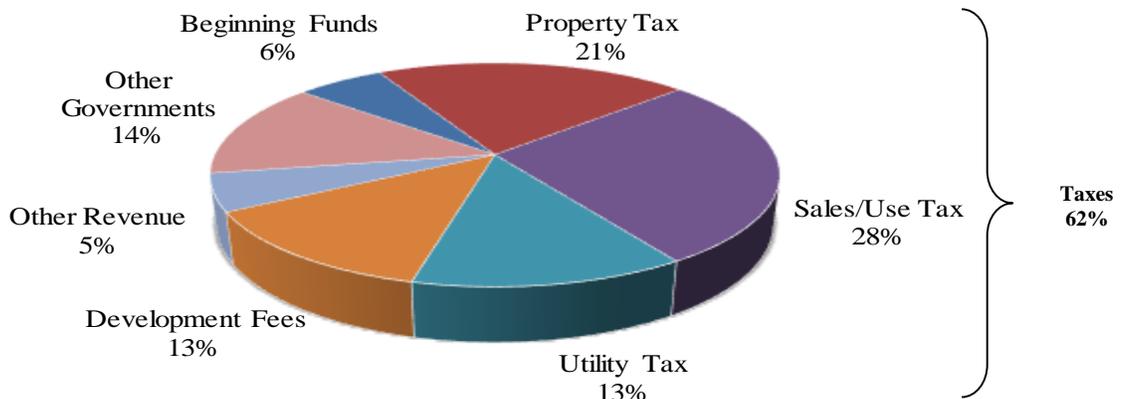
More detail of changes can be found in each offer in the priority sections of the budget.

General Fund Revenues

General Fund operating revenues are forecasted to grow modestly from \$161 million in 2015-2016 to an estimated \$170.6 million in 2017-2018, a change of 6% excluding beginning fund balance. Current projections forecast the 2017-2018 beginning fund balance to be approximately \$10.8 million which includes the Economic Contingency set by policy at 4% or \$3.1 million. This is in addition to the General Fund Operating Reserves set by policy at 8.5% or \$6.7 million.

2017-2018 General Fund Revenue by Type

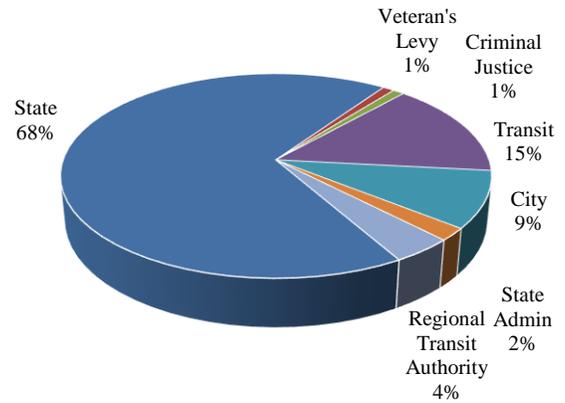
*The General Fund supports basic operations of the City (Police, Fire, Public Works, Parks & Recreation, Planning, Human Resources, Finance & Information Services and Administration)
(\$181.4 million)*



Distribution of Sales Tax

Sales Tax

Sales tax represents 28% or \$49.9 million of the City’s General Fund, making it the Fund’s largest revenue source. The overall sales tax rate for Redmond totals 9.5% of which .85% is distributed to the City for general government purposes and 0.01% for criminal justice programs. The majority of the sales tax collected in Redmond is distributed to other jurisdictions. Over the biennium, sales tax is projected to grow by 6% in 2017 and 2018 compared to forecasted estimates in the 2015-2016 biennium.



Sales Tax	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
(thousands)	21,052	20,553	23,756	23,337	24,585	25,352
% Change	9.2%	-2.4%	15.6%	-1.8%	5.3%	3.1%

Property Tax

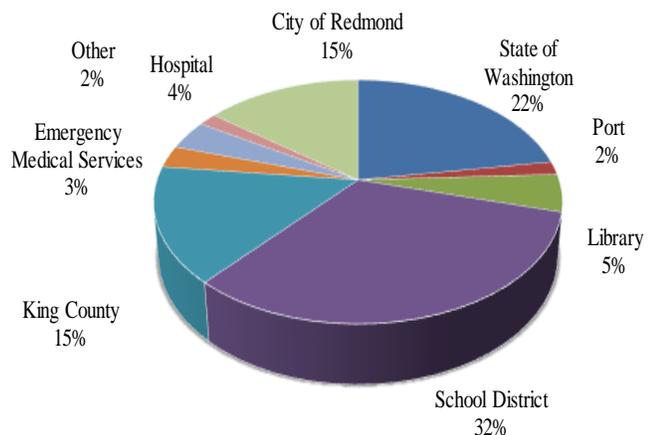
Redmond currently receives approximately \$1.41 per \$1,000 of assessed valuation from property owners located within the City limits. This equates to \$38.3 million over the 2017-2018 biennium and assumes a Council approved 1% increase. Detailed below are historical collections of property taxes in Redmond. The additional amounts in excess of the 1% allowed by state legislature are attributable to revenues from new construction, annexations and uncollected taxes from previous years.

Property Tax	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
(thousands)	16,174	16,706	17,380	17,973	18,814	19,549
% Change	-0.6%	3.3%	4.0%	3.4%	4.7%	3.9%

Note: The increase on existing properties is 1% consistent with state law.

Distribution of Property Tax

Redmond’s levy is only one component of the total property tax rate that a property owner will pay in King County. The total property tax rate includes additional levies that are earmarked for the state, schools, emergency medical services (EMS), hospitals, local libraries, King County and the port.



Utility Tax

State law enables cities to levy taxes on natural gas, telephone and electric utilities in an amount up to 6% of the total charges. In 2015, the City imposed a new 3% utility tax on cable television services within the City. Illustrated below are the utility taxes Redmond levies and the amount expected to be collected in 2017 and 2018.

Utility Tax (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Electric Tax	4,795	6,189	5,820	6,316	6,442	6,571
Garbage	556	574	592	610	628	647
Natural Gas	945	1,263	1,065	1,213	1,236	1,259
Telephone/Cellular	2,512	2,645	2,593	2,511	2,559	2,610
Cable	0	0	361	372	379	387
Other Taxes ¹	1,490	522	610	589	606	623
Totals	10,298	11,193	11,041	11,611	11,850	12,097

1. In 2013, other taxes above include a utility tax on water sales. This was imposed in 2011 with a corresponding decrease in the water rates to provide for fire protection related costs, resulting in a shift of how these costs are funded (by a utility tax rather than utility rates) with no net change to the consumer/taxpayer. This practice was suspended in 2014 after a judicial ruling.

Development Revenue

A development user fee study approved in 2011 enacted a revised fee structure targeting full cost recovery for all development related fees. The forecasted revenue for this biennium assumes a continuation of this policy as well as factors in the development surge currently being experienced by the City. Fees for business licenses will be increased by 2.4% (estimated CPI) which will bring the fee collected in the General Fund from \$43.00 per FTE to \$44.00 and \$45.00 per FTE in 2017 and 2018, respectively.

Development Related Fees (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Plan Review ¹	692	660	1,270	1,270	759	500
Plan Checks	296	338	448	448	456	400
Mixed Use Permits	291	303	681	1,864	2,079	600
Residential Permits	793	1,188	1,011	1,100	1,000	1,000
Commercial Permits	340	336	325	400	400	402
Plumbing/Electric ²	3,092	3,304	3,100	3,044	3,382	2,931
Other License/Permits	3,852	3,776	4,604	4,714	4,858	4,808
Totals	9,356	9,905	11,439	12,840	12,934	10,641

1. Includes building inspection/plan reviews.
2. Includes heating/plumbing, building, electrical permits.

Development revenues in the 2017-2018 Budget are projected to grow 1% compared to 2016 estimates followed by an 18% decrease in 2018. Growth is projected to taper off during the 2019-2020 biennium.

Other General Fund Revenues

Other revenues collected by the City include intergovernmental revenue from other jurisdictions, such as the state or county, interest earnings, and overhead charges to the City’s utilities. Redmond expects moderate growth in these revenue sources through the next biennium.

Other General Revenues (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Fines /Forfeits	853	642	519	511	591	591
State Entitlements	1,386	1,608	1,722	1,729	1,741	1,753
Intergovernmental	8,172	8,478	10,391	8,021	10,541	10,931
Miscellaneous ¹	24,156	22,878	22,461	4,777	4,307	4,332
Totals	34,567	33,606	35,093	15,036	17,180	17,607

1. Includes building inspection/plan reviews.

Broader Economic Context

The broader economy continues to recover. The Gross Domestic Product (GDP) continues to show positive growth and consumer spending continues to strengthen. Since mid-2015, retail activity has shown slow but steady improvement.

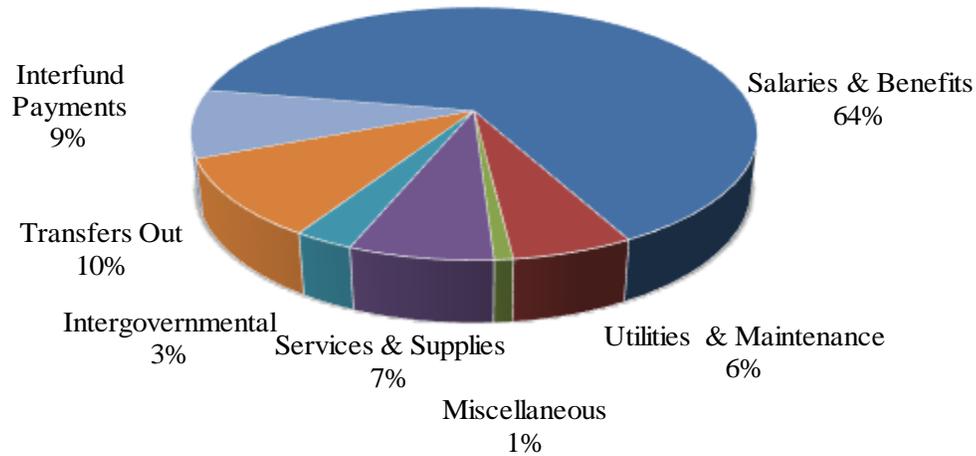
In Redmond, it appears the rate of economic growth continues at a slow, but steady pace. Similar to past budgets, the 2017-2018 plan is built on a conservative forecast with modest growth in sales tax and licenses and permits (which is consistent with the Council’s financial policies on revenues). Utility taxes which had continued to decline in the beginning of 2015 are now increasing and showing a recovery. Development revenue which began to show a surge in mid-2015 is projected to continue its growth cycle through the 2017-2018 biennium then taper off in the next biennium.

General Fund Expenditures

The \$181.4 million budgeted (including fund balance) in the General Fund supports the basic operations of the City, such as Police, Fire, Parks, Planning, Public Works and Administration. The proposed biennial budget supports 672.61 full-time equivalent (FTE) employees including a net increase of 8.64 FTE from the adjusted 2015-2016 Budget. Transfers to other funds constitute another significant portion of General Fund costs. Transfers are made to support the City’s Capital Investment Program (CIP), Information Technology, Human Services, Arts, and Special Event Activity Funds, as well as maintenance of City Hall.

The City is expected to end the 2015-2016 biennium with approximately \$10.8 million in one-time revenue (this is compared to the \$8.4 million carried into the 2015-2016 Budget). This money is proposed to go towards one-time uses including funding the economic contingency, investments in technology, and increases in affordable housing allocations. The budget proposes an innovations fund of \$200,000 intended to provide resources to be leveraged for improved customer service or cost containment initiatives as well as funds to continue the City’s process improvement initiatives. The budget also supports the historical transfers to the City’s Capital Investment Program as provided for in the Financial Policies with additional money being contributed to affordable housing and maintenance of City facilities.

General Fund Expenditures by Type
 (\$178.3 million excluding fund balance)



Salaries and Benefits

Overall, in a budget to budget comparison, salary and benefit costs are projected to increase by 5.5% over the biennium, excluding the salary and benefit contingency set aside for future labor agreements. The largest cost drivers for salary and benefits in the 2017-2018 biennium are market adjustments and State retirement costs.

Medical rates are not budgeted to increase annually however; the actual rate changes are assessed closer to the start of each calendar year when an actuarial analysis can be done using the latest information. This, as well as an analysis of reserves in the Medical Self-Insurance Fund will help us to determine the actual medical rates which are expected to be consistent with the budget estimates.

Transfers Out

Transfers from the General Fund total 10% of the General Fund budget or \$18 million. These transfers include Human Services, Arts and Community Events, City Hall maintenance as well as contributions to the Capital Investment Program (CIP), equipment replacement and reserves. CIP contributions have increased by approximately 16% or \$2.5 million from the 2015-2016 Budget due to increased revenues in the General Fund of which 5% is transferred to the Capital Investment Program and one-time funds to support additional affordable housing and maintenance of the City’s facilities.

Services & Supplies

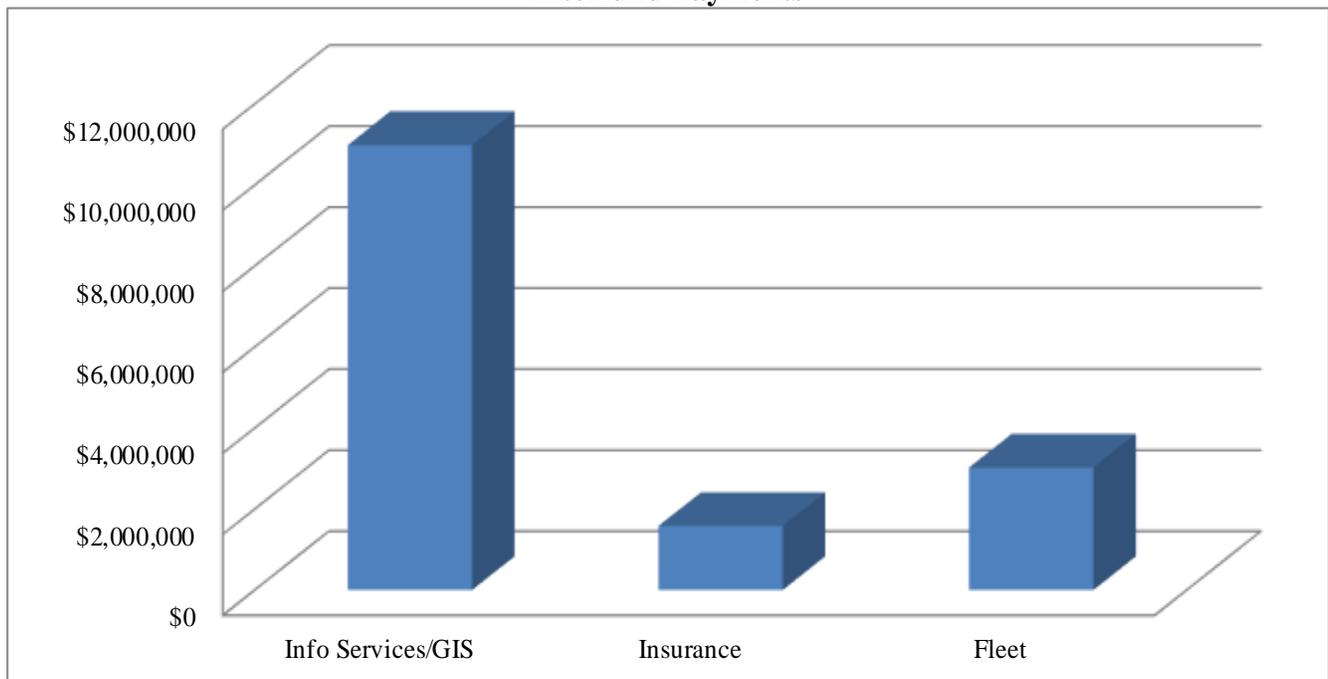
The services and supply category includes expenditures, such as operating supplies, professional services, legal, travel, training and postage. Services and supplies have increased for 2017-2018 due primarily to the transfer of some professional services from the Capital Investment Program to the operating budget as well as support for transportation planning of the SE Redmond Marymoor subarea and north-south corridors, supplies related to increased maintenance to support new capital investments and investments in the new Customer Service Center.

Services and Supplies (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Supplies	1,529	1,679	1,656	1,464	1,979	1,989
Legal	585	499	438	311	457	460
Professional Services	1,228	1,776	1,744	2,127	2,995	1,940
Communication	359	361	384	386	456	458
Rentals	69	37	62	46	57	57
Equipment and Software	63	169	79	37	78	84
Other Services and Charges	1,834	1,041	1,466	1,283	1,572	1,474
Totals	5,667	5,562	5,829	5,654	7,594	6,462

Interfund Payments

Interfund payments include transfers from operating departments to internal service funds (i.e. Fleet Maintenance, Insurance Claims and Information Technology) for services provided. Internal service funds are supported by a variety of City funds; however, the majority of their support comes from the General Fund. In a budget to budget comparison, interfund payments have increased by approximately 17%. The increase is due to both one-time and ongoing transfers to Information Services to support continuation of technology efforts, strategic system investments and licensing agreements. It is important to note that additional interfund payments go towards medical and workers' compensation claims which are a part of the benefits cost category.

Interfund Payments



Intergovernmental

Intergovernmental expenses represent payments to other governments for services, such as fire dispatch, jail and court services. Redmond currently contracts with NORCOM for fire dispatch services and with the South Correction Entity (SCORE) for jail services. For 2017-2018, jail services have increased slightly due to increases in in jail beds needed and medical costs for inmates.

Intergovernmental (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Jail	657	878	850	909	970	975
Dispatch	557	604	648	667	502	528
Court	519	625	619	650	740	740
Other	262	367	311	330	346	352
Totals	1,995	2,473	2,428	2,556	2,558	2,595

Utilities/Repairs & Maintenance (R&M)

Utility costs for the City include telephone, electricity, natural gas, garbage, water, wastewater and stormwater costs. The repairs and maintenance category includes maintenance for all City buildings including fire stations. The forecasted increases for utilities are shown in the table below, as well as the historical and projected costs for utilities, repairs and maintenance line items.

Projected Utility Rate Increases

Utilities	Projected	
	2017	2018
Telephone	2.40%	2.40%
Cable	3.00%	3.00%
Electricity	2.90%	2.90%
Natural Gas	2.90%	2.90%
Garbage	0.80%	0.80%
Stormwater	0.00%	0.00%
Water	2.00%	2.00%
Wastewater	0.00%	0.00%

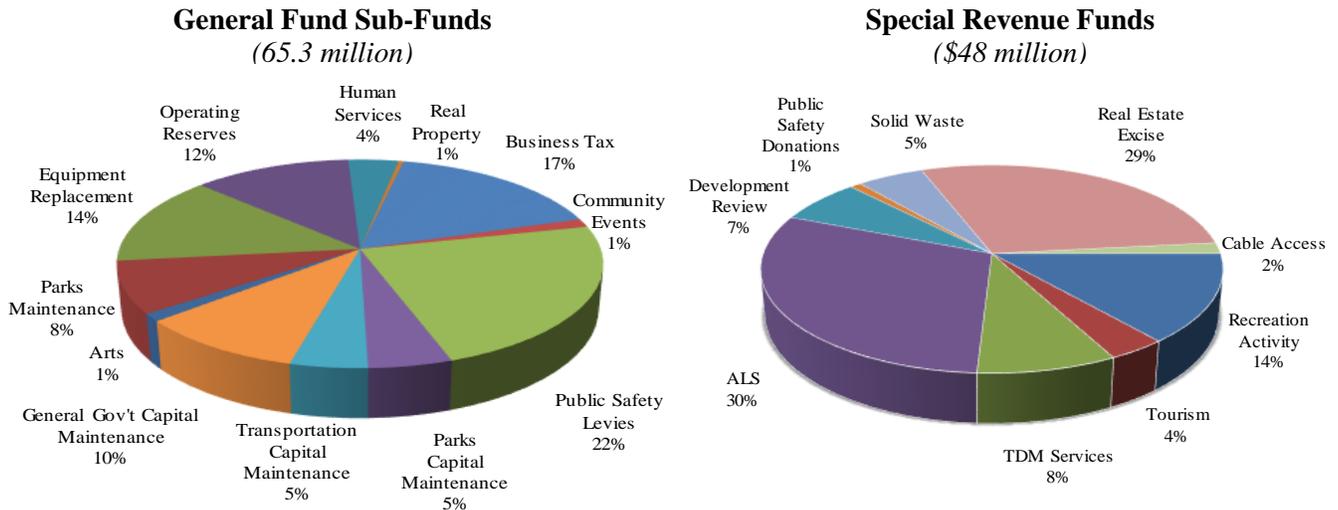
Utilities/Repairs and Maintenance (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Utilities	2,655	2,815	2,865	3,095	3,424	3,483
Repairs and Maintenance	1,010	1,019	1,299	1,207	1,780	1,781
Totals	3,665	3,834	4,164	4,302	5,204	5,264

Miscellaneous

The last category of expenditures, miscellaneous, includes the economic contingency, capital purchases, tuition, advertising and other expenditures.

GENERAL FUND SUB-FUNDS AND SPECIAL REVENUE FUNDS

Special revenue funds account for revenues and expenditures that are restricted by state law for a particular use. With the change required by the “Governmental Accounting Standards Board” (GASB) 54, funds that were previously categorized as special revenue funds, became sub-funds of the General Fund. Examples of some larger special revenue funds are Advanced Life Support (ALS) which is supported by the Emergency Medical Services (EMS) Levy and the Real Estate Excise Tax Fund which collects real estate excise tax to be used in capital construction. Special revenue funds in the 2017-2018 Budget total \$48 million (including transfers and ending fund balances) and are illustrated below.



In comparison, the sub-funds of the General Fund total \$65.3 million and include the capital maintenance funds for each of the CIP areas, the public safety levies passed by voters in 2007, as well as funds used to replace fire and general city equipment. Following is a discussion of the 2017-2018 projected revenues for some of the larger funds in these two categories.

Advanced Life Support (ALS)

In 2004, Redmond became a lead agency for the Northeast ALS consortium made up of Redmond, Kirkland, Woodinville, Duvall, Fall City and unincorporated areas surrounding those communities. An emergency medical services property tax is paid by all property owners in King County and the taxes collected support paramedic services throughout the County. Forecasted revenues for this service are based on the emergency medical services levy strategic plan approved by King County voters in 2013 and equal \$13.7 million for the 2017-2018 biennium.

Fire, Police and Parks Levy Funds

In 2007, Redmond voters passed special property tax levies to support Fire, Police and Parks services. These levies supported the addition of firefighters and police personnel, as well as park maintenance and recreation programs. These revenues are subject to the 1% growth limitation imposed by the state legislature on property taxes.

Special Levies (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Fire Levy	2,643	2,640	2,787	2,851	2,842	2,921
Police Levy	2,117	2,314	2,256	2,490	2,498	2,559
Parks Levy	245	246	345	406	397	405
Totals	5,005	5,200	5,388	5,747	5,737	5,885

Note: Excludes fund balances

Reserve Funds

The City maintains accounts dedicated to supporting the City's reserves. According to fiscal policies, the City will maintain General Fund reserves to mitigate a significant crisis, a Law Enforcement Officers and Firefighters (LEOFF I) reserve to pay medical costs for retirees under the LEOFF I retirement system, as well as equipment replacement reserves for Citywide equipment and fire vehicles. Reserves are also set aside in the Fleet Maintenance Fund (an internal service fund) for the replacement of Citywide vehicles.

Operating Reserve Fund Balances (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
General Fund Reserve	6,355	-	6,070	-	6,430	203
LEOFF 1 Reserve	454	-	613	-	757	40
Capital Equipment Reserve	3,056	-	3,061	-	6,112	-
Fire Equipment Reserve	3,984	-	4,553	-	2,783	-
Totals	13,849	-	14,297	-	16,082	243

Note: Reserves are budgeted in the first fiscal year of the biennium. The second year represents any contributions to reserves based on the City's forecast.

DEBT SERVICE FUNDS

The City has a debt service fund to pay for voted and non-voted debt. This fund is used to account for the principal and interest payments for the 2013 refinance and purchase of the City Hall building, Bear Creek Parkway and Couplet Conversion projects. These debt obligations total \$11.4 million over the biennium, including principal and interest.

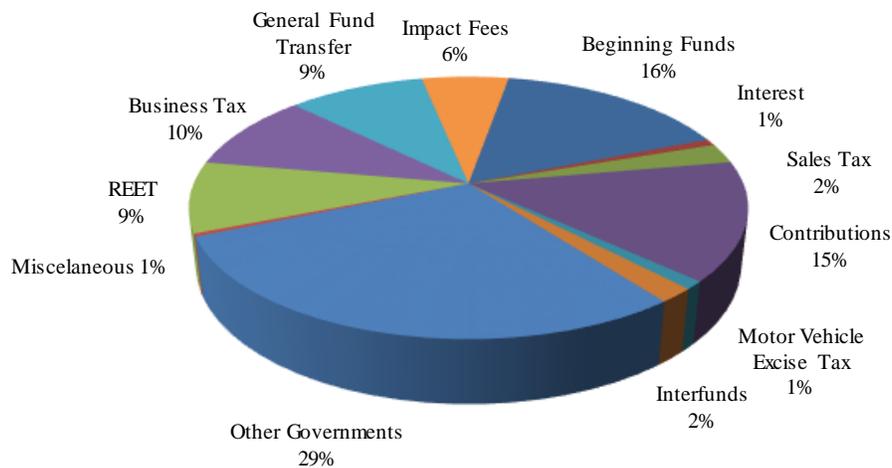
CAPITAL INVESTMENT PROGRAM (CIP)

In the 2017-2018 Budget, Redmond has worked hard to strengthen the alignment between the CIP functional areas and the City's long-range vision as articulated in the Vision Blueprint and the Comprehensive Plan. This alignment is especially important in the City's two urban centers of Downtown and Overlake, as the City seeks to direct its public infrastructure investment in ways that will facilitate continued private redevelopment of these areas. While there are infrastructure and capital needs beyond the urban centers, capital projects are prioritized in much the same way as operational offers. By focusing public projects in its urban centers, the City is taking tangible steps towards realizing its vision for these areas, signaling its commitment to private developers and thereby encouraging them to continue to invest in Redmond as well as protecting the character of Redmond's established neighborhoods.

Capital Investment Program projects range from major maintenance of streets and sidewalks to Downtown Park construction, as well as utility and building infrastructure improvements to mobility improvements in the urban centers. These projects are funded through a variety of revenue sources, both public and private.

Beginning fund balances, Real Estate Excise Tax (REET), impact fees, grants, business tax and transfers made from the General Fund are the major revenues that make up a significant portion of the \$143.3 million of 2017-2018 general CIP revenues. Other CIP revenues include private contributions and interest earnings.

Total 2017-2022 General CIP Revenues



Real Estate Excise Tax (REET)

REET is a 0.5% tax on the sale of real estate inside Redmond city limits and is restricted to expenditures on capital projects. REET collections have grown steadily since the significant decline in 2009. Estimates in the 2017-2018 Budget project this revenue will increase slightly from its historical base of \$4.0 million to \$4.7 million per year.

Business Tax (BTI)

In 2014, a \$57.00 fee was assessed per employee to businesses operating in Redmond to support transportation and transportation demand management projects and in 2015 a \$7.00 increase to this fee was adopted, bringing the total fee to \$64.00 per full-time equivalent employee. The long term growth in the revenue is projected to be approximately 1.7%, commensurate with projected employment growth in the City.

General Fund Transfer

Per City policy, 5% of General Fund operating revenues (minus development revenues and significant one-time collections) is transferred into the City’s Capital Investment Program. In addition, \$1.3 million annually of sales tax on construction goes to support the lease on the City Hall building, as well as \$300,000 per year for pavement management projects.

Impact Fees

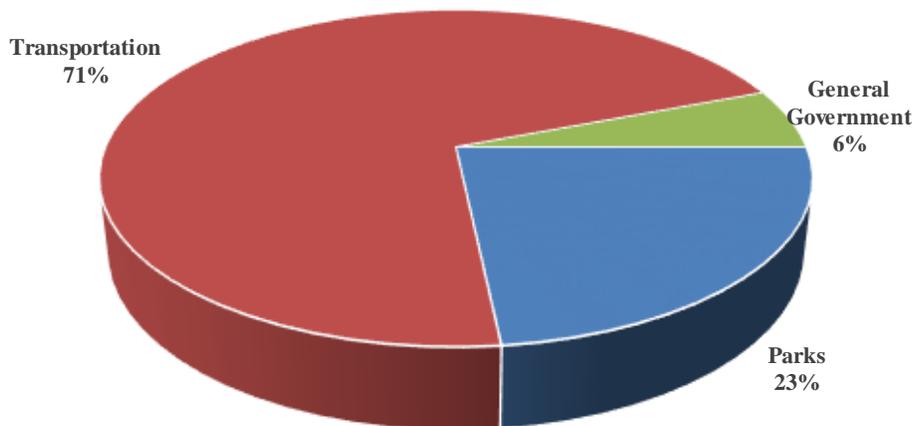
The City collects impact fees from developers for transportation, fire and parks. These impact fees are restricted to capacity projects that mitigate the impacts of growth in the community. In 2014, the City reduced transportation impact fees for development activity.

CIP Revenues (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
REET	5,984	3,971	2,816	4,244	4,700	4,700
Business Tax	4,188	4,268	3,993	5,146	5,112	5,173
General Fund Transfer	8,602	4,682	4,815	4,955	5,293	5,152
Impact Fees	4,632	4,137	1,652	4,661	3,100	3,100
Totals	23,406	17,058	13,276	19,006	18,205	18,125

Note: General Fund Transfer includes 5% of General Fund revenues, sales tax on construction, pavement management.

A significant portion of the biennial CIP has been dedicated to projects in the two urban centers, such as development of the Downtown Park, the Redmond Way/Cleveland Street conversion from one-way streets to two-way, mobility and pedestrian improvements in the Overlake area and maintenance projects in established neighborhoods. Expenditures by functional allocation are shown below.

CIP Expenditures by Functional Area
(excludes ending fund balances)



ENTERPRISE FUNDS

Water, Wastewater and Stormwater Revenue

Water, wastewater and stormwater fees fund most of the costs associated with providing these services in our community. (Other sources include connection charges and interest earnings.) Total Water/Wastewater and Stormwater revenues (including the Novelty Hill Service Area and excluding revenue bond proceeds) are expected to increase from a budgeted \$105.9 million to \$113.4 million, a

7.2% increase. Proposed in the budget are water rate increases for both in-City and Novelty Hill customers. These rate increases are primarily due to a rise in purchased water costs.

City policy calls for a rate update to be performed in conjunction with the adoption of each biennial budget which occurred in July 2016. The table on the next page reflects the proposed rates recommended in the 2017-2018 Budget.

Proposed Water/Wastewater Rate Increases

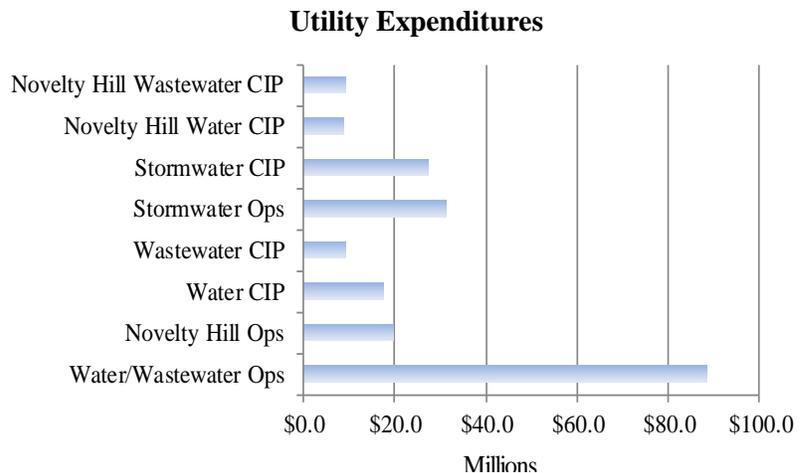
Description	2017	2018
	Proposed	Proposed
City of Redmond		
Water	2.0%	2.0%
Wastewater	0.0%	0.0%
Novelty Hill		
Water	8.0%	8.0%
Wastewater	0.0%	0.0%

Utility Revenue (thousands)	Actual			Estimate	Forecast	
	2013	2014	2015	2016	2017	2018
Water/Wastewater	34,782	34,416	38,159	35,472	36,900	37,623
Stormwater	12,819	14,660	13,162	12,796	13,582	13,602
Novelty Hill	7,792	7,877	8,117	6,340	6,663	6,888
Totals	55,393	56,953	59,438	54,608	57,145	58,113

Note: Excludes fund balances.

Water, Wastewater and Stormwater Expenditures

Money spent to support utility operations and construction is separated into eight utility funds Water/Wastewater Operations, Water Construction, Wastewater Construction, Stormwater Operations, Stormwater Construction, and Novelty Hill Service Area Operations, Novelty Hill Water Construction and Novelty Hill Wastewater Construction.



The total budget for all eight funds equals \$211.4 million (including ending fund balance and transfers) with \$139.2 million dedicated to operations and \$72.2 million earmarked for construction. Included in the utility construction funds are expenditures to support the Downtown and Overlake Urban Center

vision, as well as low impact development projects and pump station improvements (see CIP section for more detail).

Prospects for the Future

In the City's long-range forecast, salary and benefits will continue to make up the majority of General Fund costs and will rise approximately 3.5% - 4.5% in future years. Contributions to the state retirement funds, overtime and medical costs are the main drivers of these expenditures.

The City will remain vigilant about seeking innovations and efficiencies and cost containment as structural realities continue to put pressure on Citywide revenues. Past cost containment measures and implementation of innovations and efficiency improvements will help Redmond manage expenditure increases into the future. Concentration on the long-range strategic vision and key strategic initiatives as well as monitoring outcomes on a consistent basis will keep Redmond moving forward toward the vision of a community with two vibrant urban centers and thriving connected neighborhoods.

CITYWIDE BUDGET SUMMARY

2017-2018 PRELIMINARY BUDGET

CITY OF REDMOND

Fund Number	Fund	2013-2014 Budget	2015-2016 Budget	2017-2018 Budget	Budget to Budget Difference	Percent Change
100	GENERAL FUND	\$160,275,294	\$168,766,207	\$181,414,043	\$12,647,836	7.5%
GENERAL FUND SUB-FUNDS						
011	Arts Activity	\$745,282	\$911,612	\$784,909	(\$126,703)	-13.9%
012	Parks Maintenance & Operations	\$3,686,158	\$3,867,536	4,044,240	\$176,704	4.6%
013	Special Events	\$974,727	\$919,656	864,221	(\$55,435)	-6.0%
019	Human Services	\$1,824,326	\$1,724,440	2,506,589	\$782,149	45.4%
020	Fire Equipment Reserves	\$5,172,145	\$5,768,533	2,918,848	(\$2,849,685)	-49.4%
021	Operating Reserves	\$7,932,785	\$7,076,774	7,884,991	\$808,217	11.4%
027	Capital Equipment Reserve	\$5,106,496	\$5,079,905	6,111,891	\$1,031,986	20.3%
030	Business Tax	\$8,391,806	\$9,855,781	10,940,868	\$1,085,087	11.0%
031 ¹	Real Property	\$84,012	\$171,407	\$250,000	\$78,593	45.9%
035	Fire Levy	\$7,318,611	\$6,887,750	6,149,581	(\$738,169)	-10.7%
036	Police Levy	\$8,834,780	\$9,025,753	9,037,109	\$11,356	0.1%
037	Parks Levy	\$1,131,214	\$1,310,363	1,252,960	(\$57,403)	-4.4%
095	Parks Maintenance Projects	\$2,218,492	\$1,567,671	3,190,076	\$1,622,405	103.5%
096	Transportation Maintenance Projects	\$7,517,326	\$8,593,471	2,945,641	(\$5,647,830)	-65.7%
099	General Government Maintenance Projects	\$12,697,821	\$10,003,828	6,426,711	(\$3,577,117)	-35.8%
Subtotal - General Fund Sub-funds		\$73,635,981	\$72,764,480	\$65,308,635	(\$7,455,845)	-10.2%
GRAND TOTAL GENERAL FUND		\$233,911,275	\$241,530,687	\$246,722,678	\$5,191,991	2.1%
SPECIAL REVENUE FUNDS						
110	Recreation Activity	\$5,752,172	\$6,066,254	\$6,582,449	\$516,195	8.5%
115 ²	Development Review	\$1,350,427	\$2,249,142	\$3,277,752	1,028,610	45.7%
117	Cable Access	\$1,519,771	\$1,149,118	\$820,447	(\$328,671)	-28.6%
118	Transportation Demand Management	\$3,659,030	\$3,721,356	\$4,060,126	338,770	9.1%
122	Advanced Life Support (ALS)	\$13,029,565	\$15,115,172	\$14,405,155	(\$710,017)	-4.7%
124	Aid Car Donation	\$444,461	\$536,645	\$373,689	(\$162,956)	-30.4%
125	Real Estate Excise Tax (REET)	\$7,897,632	\$14,581,634	\$13,802,308	(\$779,326)	-5.3%
126	Drug Enforcement	\$48,139	\$64,044	\$51,465	(\$12,579)	-19.6%
131	Hotel/Motel Tax	\$982,728	\$1,273,411	\$1,687,743	414,332	32.5%
140	Solid Waste/Recycling	\$1,786,540	\$2,183,317	\$2,565,781	382,464	17.5%
Subtotal - Special Revenue Funds		\$36,470,465	\$46,940,093	\$47,626,915	\$686,822	1.5%
DEBT SERVICE FUNDS						
230 ³	Excess Levy	\$287,865	\$0	\$0	\$0	
233	Bear Creek Parkway/Downtown Park	\$45,774,565	\$41,293,013	\$11,481,794	(\$29,811,219)	-72.2%
Subtotal - Debt Service Funds		\$46,062,430	\$41,293,013	\$11,481,794	(\$29,811,219)	-72.2%
CAPITAL INVESTMENT PROGRAM (CIP) FUNDS						
314 ⁴	Council CIP	\$280,247	\$0	\$0	\$0	
315	Parks CIP	\$10,608,600	\$17,242,559	\$19,253,124	\$2,010,565	11.7%
316	Transportation CIP	\$48,533,836	\$50,482,548	\$59,851,576	\$9,369,028	18.6%
317 ⁴	Fire CIP	\$2,300,000	\$0	\$0	\$0	
318 ⁴	Police CIP	\$150,958	\$0	\$0	\$0	
319 ⁴	General Government CIP	\$6,249,773	\$16,479,464	\$9,951,618	(\$6,527,846)	-39.6%
Subtotal - CIP Funds		\$68,123,414	\$84,204,571	\$89,056,318	\$4,851,747	5.8%

CITYWIDE BUDGET SUMMARY

2017-2018 PRELIMINARY BUDGET

CITY OF REDMOND

Fund Number	Fund	2013-2014 Budget	2015-2016 Budget	2017-2018 Budget	Budget to Budget Difference	Percent Change
ENTERPRISE FUNDS (UTILITIES)						
401	Water/Wastewater M&O	\$76,586,031	\$84,132,881	\$88,526,486	\$4,393,605	5.2%
402	Novelty Hill M&O	\$13,703,058	\$17,298,194	\$19,454,514	2,156,320	12.5%
403	Water CIP	\$9,777,610	\$15,947,111	\$17,464,522	1,517,411	9.5%
404	Wastewater CIP	\$11,048,141	\$11,939,495	\$9,319,810	(2,619,685)	-21.9%
405	Stormwater M&O	\$55,364,048	\$35,427,924	\$32,877,751	(2,550,173)	-7.2%
406	Stormwater CIP	\$75,966,030	\$36,985,255	\$35,652,828	(1,332,427)	-3.6%
407	Novelty Hill Water CIP	\$6,278,677	\$7,629,231	\$8,794,215	1,164,984	15.3%
408	Novelty Hill Wastewater CIP	\$6,691,851	\$8,092,217	\$9,329,132	1,236,915	15.3%
Subtotal - Enterprise Funds		\$255,415,446	\$217,452,308	\$221,419,258	\$3,966,950	1.8%
INTERNAL SERVICE FUNDS						
501	Fleet Maintenance	\$8,976,360	\$11,224,194	\$12,776,932	\$1,552,738	13.8%
510	Insurance Claims & Reserves	\$2,565,685	\$3,321,521	\$3,309,230	(12,291)	-0.4%
511	Medical Self Insurance	\$30,732,165	\$32,804,070	\$30,487,277	(2,316,793)	-7.1%
512	Workers' Compensation	\$2,357,389	\$3,030,255	\$2,558,327	(471,928)	-15.6%
520	Information Technology	\$9,884,974	\$11,540,456	\$13,972,089	2,431,633	21.1%
Subtotal - Internal Service Funds		\$54,516,573	\$61,920,496	\$63,103,855	\$1,183,359	1.9%
FINAL BUDGET - ALL FUNDS		\$694,499,603	\$693,341,168	\$679,410,818	(\$13,930,350)	-2.0%

Footnotes:

1. Fund 031 was created to manage and direct unencumbered proceeds from the sale of real property.
2. Fund 115 was reactivated due to Development Agreements established in 2014.
3. Fund 230 is inactivated after the final payment on the Unlimited Tax General Obligation (UTGO) refunding of debt on the Senior Center and Public Safety Building in 2013-2014.
4. Funds 314, 317, and 318 were eliminated in 2013-2014 and combined with the 319 Fund per Council policy.

STAFFING AUTHORIZATIONS

FULL-TIME EQUIVALENTS (FTEs)

CITY OF REDMOND

	2013-2014 Budget	2015-2016 Budget	2017-2018 Budget	Budget to Budget Difference ⁴
GENERAL FUND AND SUB-FUNDS				
Executive/Legal ^{1,3}	15.75	19.75	23.75	4.00
Finance & Information Services ³	28.50	30.00	31.00	1.00
Fire ^{2,3,6}	129.50	133.50	136.00	2.50
Human Resources	10.50	11.54	11.54	0.00
Parks & Recreation	38.57	37.85	37.85	0.00
Planning & Community Development ^{1,3,4,6}	67.39	77.89	79.33	1.44
Police ^{2,3}	129.30	129.41	128.41	(1.00)
Public Works ^{1,4,5}	56.02	61.40	59.09	(2.31)
Arts Activity	0.50	1.00	1.00	0.00
Community Events	1.00	1.00	1.00	0.00
Parks Maintenance & Operations ³	10.01	10.01	11.01	1.00
GENERAL FUND AND SUB-FUNDS TOTAL	<u>487.04</u>	<u>513.35</u>	<u>519.98</u>	<u>6.62</u>
OTHER FUNDS				
Recreation Activity	10.61	11.16	11.16	0.00
Development Review Fund	6.50	1.00	1.00	0.00
Operating Grants Fund	3.00	4.00	4.00	0.00
Advanced Life Support	31.00	31.00	31.00	0.00
Solid Waste/Recycling ^{4,5}	3.63	3.63	3.96	0.33
Water/Wastewater ^{4,5}	37.53	38.82	40.02	1.20
Stormwater Management ⁵	27.60	26.93	27.17	0.24
Fleet Maintenance ⁵	6.58	7.08	7.32	0.24
Worker's Compensation Insurance	1.00	0.00	0.00	0.00
Information Technology	25.00	26.00	26.00	0.00
OTHER FUND TOTAL	<u>152.45</u>	<u>149.62</u>	<u>151.63</u>	<u>2.01</u>
TOTAL ALL FUNDS⁷	<u><u>639.49</u></u>	<u><u>662.97</u></u>	<u><u>671.61</u></u>	<u><u>8.64</u></u>
SUPPLEMENTAL FTEs	46.26	54.93	47.50	(7.43)

Notes:

1. In the 2017-2018 Budget, A new Customer Service Division was created in the Executive Department. This included the transfer of three Positions from other Departments; including:
 - Accounting Specialist from the Planning Department
 - Program Administrator from the Planning Department
 - Administrative Assistant from the Public Works Department
2. The Office of Emergency Management moved from Police to Fire in the 2017-2018 Budget.
3. The following positions were added in the 2017-2018 Budget:
 - 1.0 FTE Communication and Marketing Administrator in the Executive Department;
 - 1.0 FTE Records Coordinator in Finance and Information Services;
 - 1.0 FTE Homeless Outreach Specialist was added to the Planning Department;
 - 1.0 FTE Police Officer was added in 2018;
 - 1.0 FTE Maintenance Technician was added to the Parks Department in 2018;
 - A part time (.50 FTE) Program Coordinator was added to Fire for Emergency Management; and
 - Positions were added in Planning for Low Impact Development, a 1.0 Construction Inspector and 1.0 Senior Engineer;
4. The following changes were also made in the 2017-2018 Budget:
 - Limited duration positions were converted to regular full time employees; includes, an Engineering Technician and a Construction Inspector.
 - The Solid Waste Program Administrator, Customer Service Program Administrator and a Senior Planner were made full-time a total add of .64 FTE;
5. Several positions were reallocated within the Public Works Department to reflect division needs.
6. In 2016, Council approved additional staff in relation to the Private Development Agreements and the general development surge.
7. Total FTE variance between the 2015-2016 and 2017-2018 Budget is 10.14, the total shown accounts for limited duration FTEs (a total reduction of 1.5 FTEs) present during the 2015-2016 Biennium Budget will be converted to permanent FTEs for 2017-2018.