
BUDGET AT A GLANCE

**BUDGET OVERVIEW
CITYWIDE BUDGET SUMMARY
ALL FUNDS SUMMARY
CITYWIDE FTE SUMMARY**

BUDGET OVERVIEW

2013-2014 ADOPTED BUDGET

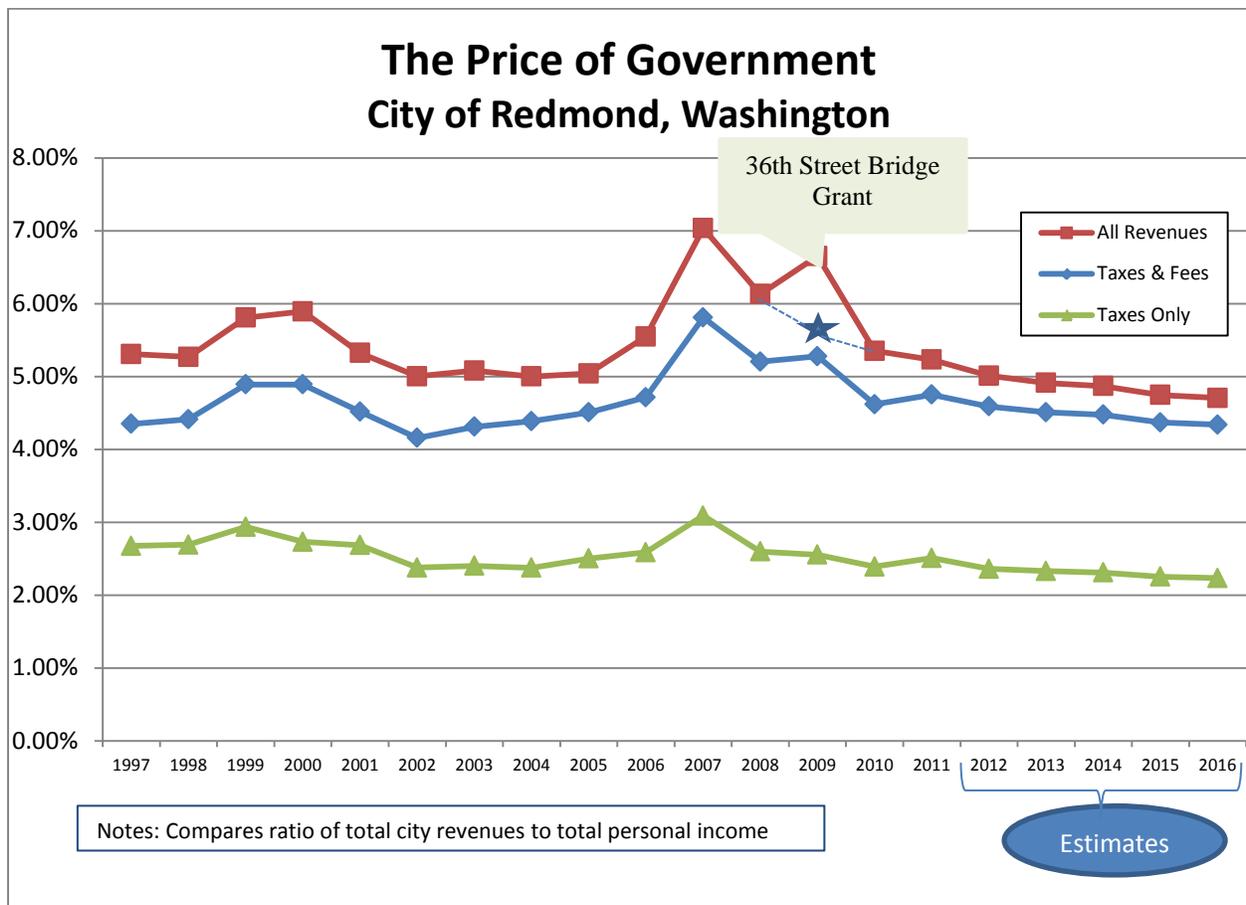
CITY OF REDMOND

The Budget Overview serves as a review of the recommended 2013-2014 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 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 ranges between 5% and 6%. This is typical for local governments.

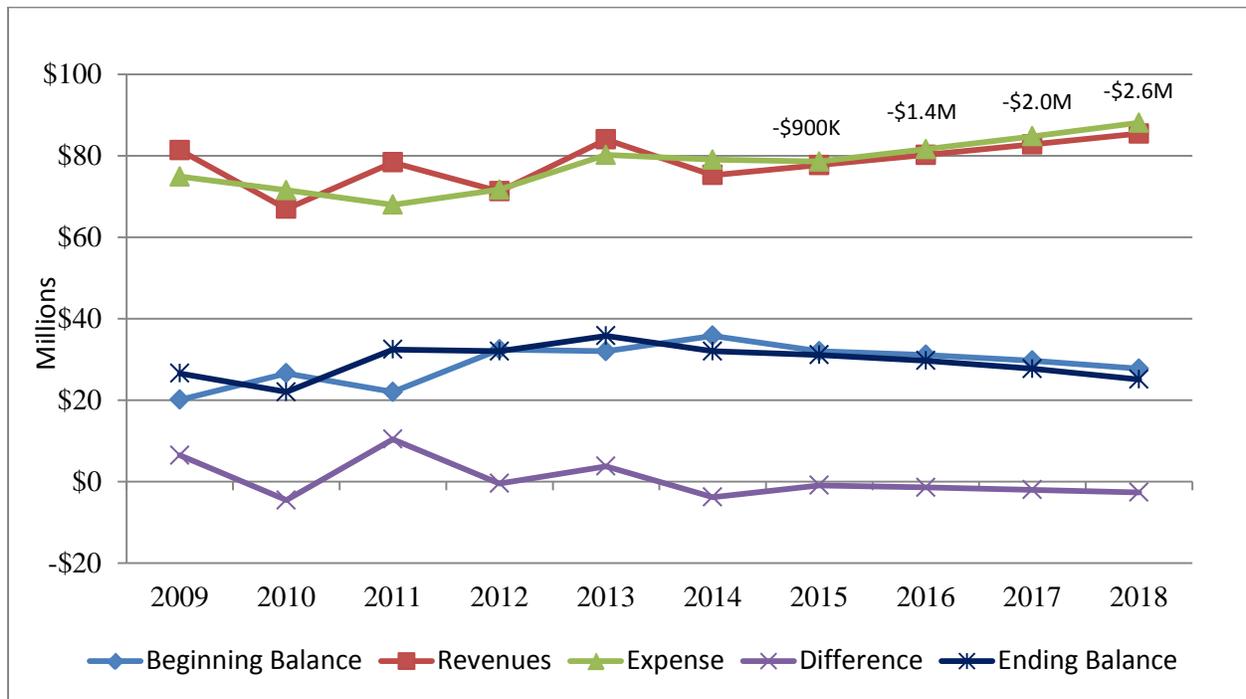


Keeping the Price of Government in mind, this budget continues to conservatively forecast revenues and rely on right-sizing costs, innovation and efficiencies, and matching service expenditures with demand to balance Redmond’s resources.

LONG RANGE FINANCIAL STRATEGY

Redmond’s General Fund Six-Year Financial Forecast identifies revenue and expenditure trends 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 2011-2012 budget included a forecast that illustrated a structurally balanced budget for the next six years. Since that time, revenues have continued to stagnate more than anticipated and the State of Washington has made changes in revenues it shares with local governments. The chart below now illustrates an updated long-range financial forecast that shows modest gaps in future budgets.

**City of Redmond 2013-2014 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. The budget is developed using the modified accrual basis of accounting for all funds.

Effect of Implementing GASB Statement 54

The Government Accounting Standards Board (GASB) provides “statements” which prescribe generally accepted accounting principles (GAAP) for governments. In its Statement 54, GASB established clearer criteria for three things that affect the City’s budget.

First, GASB Statement 54 requires that reporting for special revenue funds be limited to those activities where a restriction on the revenues to that fund are imposed by an outside authority, such as state law or a grant requirement. In the past, the City has reported several activities as special revenue funds which are essentially designated uses of general revenues. For budget purposes the City continues to identify these separately as “sub-funds” of the General Fund (note that the designation “sub-fund” is a city designation and is not a GAAP term). This will enable the Council to continue to monitor activity in these sub-funds distinctly from the General Fund, but will also enable the City to report on the sub-funds and general fund combined in its audited financial statement to comply with GASB’s Statement 54.

Secondly, the GASB clarified only activity which results in the creation of (or capitalized addition to) a capital asset may be reported within a capital projects fund. The budget includes capital maintenance and other capital activity that does not qualify for inclusion in a capital projects fund in “capital maintenance funds”. These are also sub-funds of the General Fund as most resources used in these efforts are general revenues. These sub-funds will also be reported as part of the City’s General Fund in its audited financial statements. Since the City manages these capital maintenance activities as part of the overall capital budget the resources for these funds are transferred from the capital funds back to the major maintenance funds (thus increasing the transfer of money among funds and artificially inflating the budget).

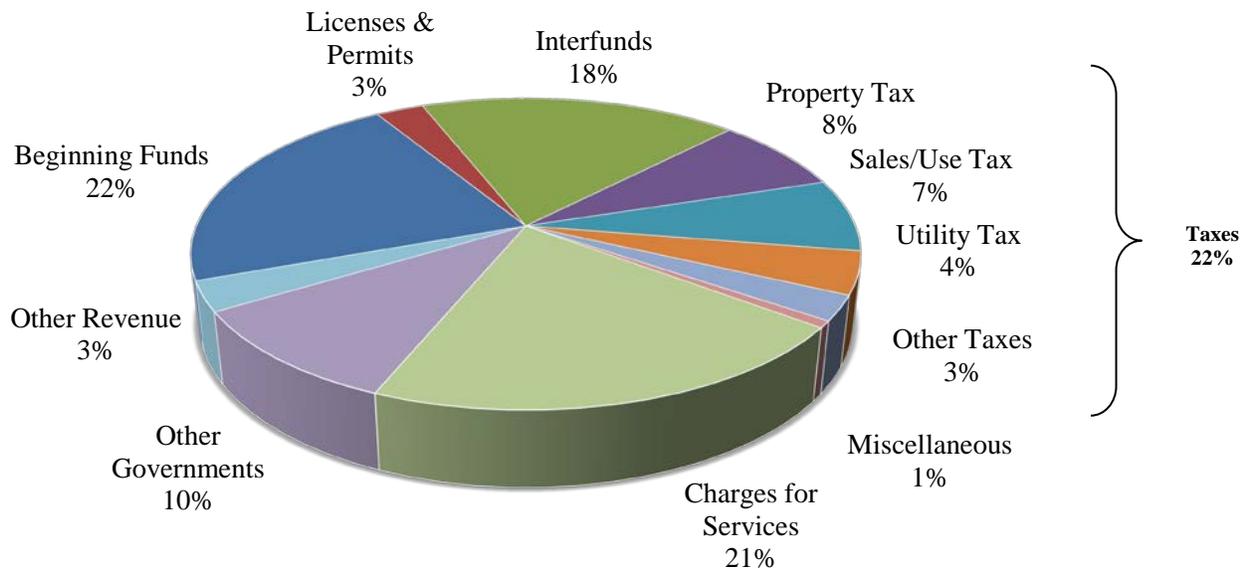
Third, GASB Statement 54 clarifies the classifications of fund balances within governmental funds. Essentially, the amounts available for appropriation are either “committed” (where the fund balance is committed by policy action of the council to a specific purpose, such as capital investments or for use in a sub-fund as described above); “assigned” (similar to committed, but an administrative action – there are no assigned fund balances in the City); or “unassigned” (available for appropriation without encumbrance).

Revenue and Expenditure Summary

This section includes a discussion of major revenues utilized by the City and information on major factors affecting the revenue sources.

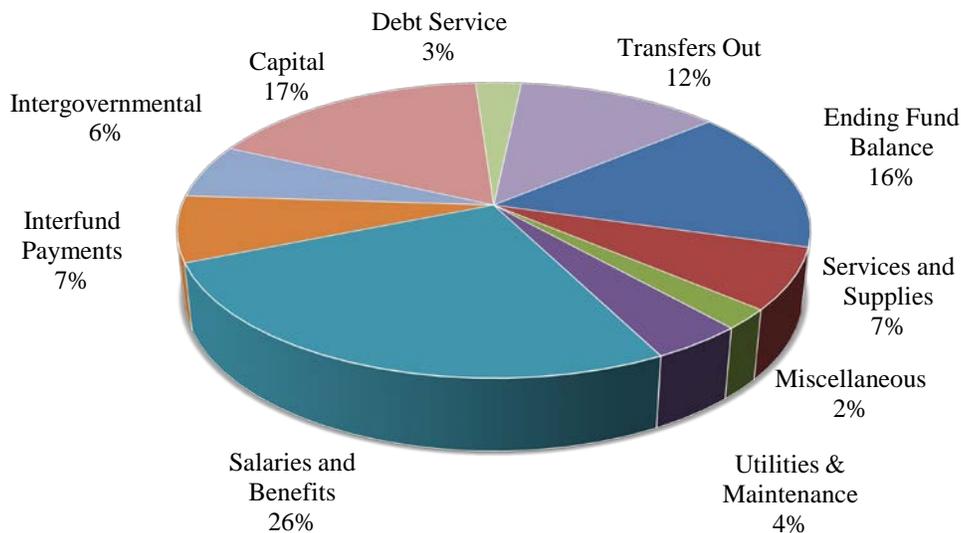
Total revenues over the biennium equal \$581.6 million, including beginning fund balances and transfers; this is an approximate 3% increase over the 2011-2012 biennium. As mentioned above, the budget is artificially inflated due to a series of transfers between the capital maintenance and construction funds, between capital construction funds for various projects and between the General Fund and the capital funds to move one time surpluses to significant projects the City hopes to accomplish in the next biennium. In addition, this budget includes a 1% property tax increase, allowed by law and Water/Wastewater utility rate increases as described below. The components of the City’s 2013-2014 revenue sources are shown in the graph on the next page.

2013-2014 Revenues by Type
All Funds
(\$581.6 million)



In the 2013-2014 Budget, the General Fund has been reduced to take into account the continued lack of service demand in development review, right-sizing of line items as in the case of public safety overtime and gains in efficiencies due to implementation of technology projects. In other funds, specifically capital, the budget has increased due to one-time money and project savings being committed to the City’s vision of the two urban centers and Redmond neighborhoods. In addition, the budget maintains all Council policy directives regarding reserves and transfers to the CIP.

2013-2014 Expenditures by Type
All Funds
(\$581.6 million)



As in most service organizations, salary and benefits make up the majority of budgeted costs. Although staffing reductions did occur in the budget the changes were offset by realignment of employees to priority service areas. This is a change from the 50 FTE reductions the City experienced between 2009 and 2012 due to the reduction in development review activities and stagnation of the City's revenues. The FTE changes by department are shown below. *(Note: Included in the total 2013-2014 FTE count for the City is a 0.75 limited-duration employee to support a fire prevention grant)*

Department	2013-2014 FTE Reductions	2013-2014 FTE Additions
Executive	0.50	
Finance	2.00	1.00
Parks	1.00	
Planning	1.50	1.00
Police		2.00
Public Works		1.00
Total	5.00	5.00

Challenges to balancing the budget were met through a variety of reductions that focused on gaining additional efficiencies in current operations, assessing declines in service demand, reducing capacity and levels of service and eliminating new requests. Adjustments to expenditures include:

- Elimination of most new programs requested.
- Reductions were gained through efficiencies in current operations, such as department reorganizations, monitoring and management of jail and overtime costs, appropriately charging staff time to the capital investment program (CIP), changes in service demand and right-sizing administrative costs, contingencies, and reserves consistent with Council policy.
- Assessing the use of fund balances and other one-time funds to accelerate or complete funding for significant capital projects, as well as using underutilized levy funds will enable the continuation of the current level of service.

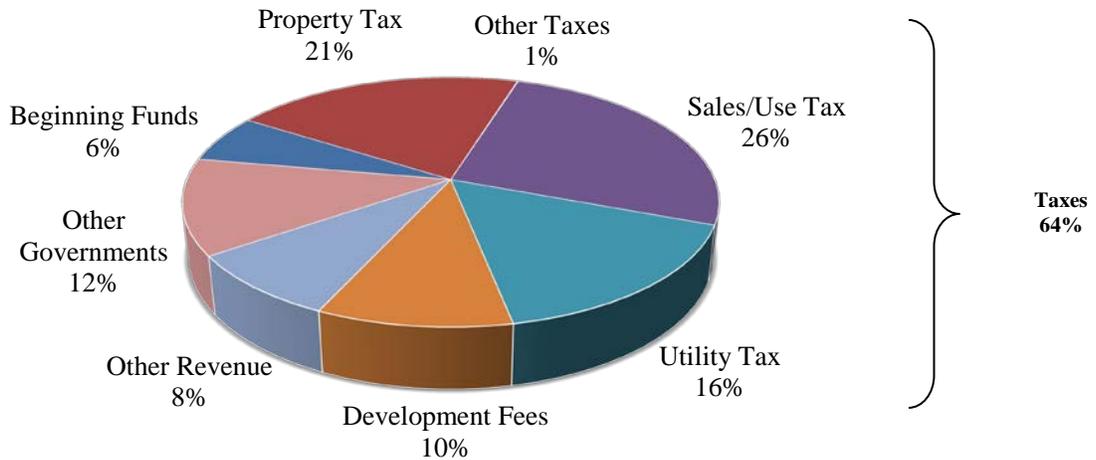
Each offer outlines the proposed scalability by the department and the recommended scalability that appears in the budget. (See the Budget by Fund section for a financial summary of sources and uses of City funds).

General Fund Revenues

General Fund revenues are forecasted to grow only slightly from \$143.4 million anticipated in 2011-2012 Budget to an estimated \$149.4 million in 2013-2014, a change of 4% excluding beginning fund balance. Current projections forecast the 2013-2014 beginning fund balance to be approximately \$9.98 million which includes the Economic Contingency set by policy at 4% or \$2.7 million. This is in addition to the General Fund Operating Reserves set by policy at 8.5% or \$6.2 million.

2013-2014 General Fund Revenue by Type

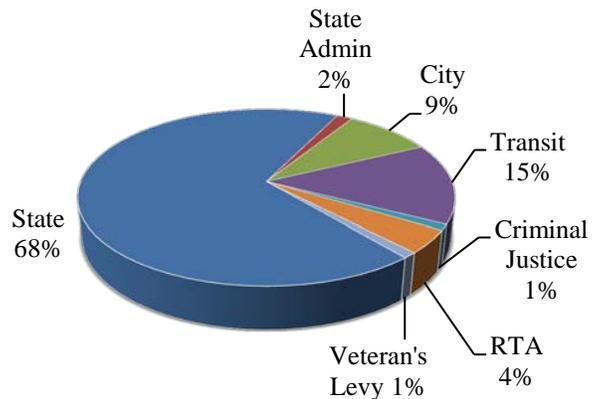
The General Fund supports basic operations of the City (Police, Fire, Public Works, Parks & Recreation, Planning, Human Resources, Finance & Information Services, and Administration)



Sales Tax

Sales tax represents 26% or \$41.3 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 .1% for criminal justice programs. The majority of the sales tax collected in Redmond is distributed to other jurisdictions as illustrated in the graph on the next page. Sales tax is projected to grow by 3.5% in 2013 and 3.8% in 2014 compared to forecasted estimates in the current biennium.

Distribution of Sales Tax



Sales Tax	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
(thousands)	23,025	19,058	17,896	17,681	23,484	19,563	20,297	21,058
% Change		-17.2%	-6.1%	-1.2%	32.8%	-16.7%	3.5%	3.8%
Note: There was unusual sales tax payments received in both 2007 and 2011 which affects the trends illustrated in the table above.								

Property Tax

Redmond currently receives approximately \$1.78 per \$1,000 of assessed valuation from property owners located within the City limits. This equates to \$33 million over the 2013-2014 biennium and assumes a Council approved 1% increase. Detailed in the table on the next page 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.

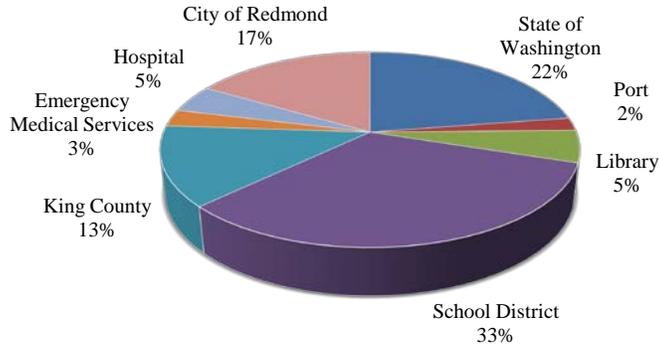
Historical Redmond Property Tax Collections

Property Tax	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
<i>(thousands)</i>	12,053	12,546	13,343	14,758	15,726	15,949	16,309	16,772
% Change		4.1%	6.4%	10.6%	6.6%	1.4%	2.3%	2.8%

Note: The significant increase in 2010 is due to the addition of almost \$1 billion in value from new construction. 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. 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. A tax is also permitted on solid waste, water, wastewater, and stormwater utilities. Illustrated below are the utility taxes Redmond levies and the amount expected to be collected in 2013 and 2014.

Utility Taxes

(thousands)

Franchise Fees / Utility Taxes	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
Admissions Tax	531	410	406	481	353	450	463	477
Cellular	2,196	2,323	2,270	2,122	1,664	1,889	1,913	1,938
Electric Tax	5,833	5,803	5,958	6,019	5,592	6,353	6,557	6,766
Gambling Tax	38	25	18	54	24	28	29	30
Garbage	510	538	498	478	357	477	483	490
Natural Gas Tax	1,708	1,385	1,460	1,151	1,166	1,362	1,388	1,414
Telephone	1,794	1,348	1,176	1,082	828	975	975	975
Other Taxes	10	21	15	21	939	939	939	939
Totals	12,620	11,853	11,801	11,408	10,923	12,473	12,747	13,029

1. 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.

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.

Development Revenues

(thousands)

Development Related Fees	Actual					Estimate	Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	
Residential Permits	1,051	607	419	654	516	600	624	649	
Commercial Permits	426	527	255	170	402	400	416	433	
Plumbing/Electric	3,563	2,197	1,613	1,895	2,044	2,653	2,767	2,886	1
Plan Review	1,544	1,025	631	458	636	690	868	896	2
Plan Checks	593	466	491	263	390	358	372	387	
Totals	7,177	4,822	3,409	3,440	3,988	4,701	5,047	5,251	

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

Development revenues in the 2013-2014 Budget are projected to grow slightly in comparison to 2011-2012. According to the most current forecast, development will recover gradually through the next six years, but will not reach the levels experienced in 2007 until beyond the forecast period.

Other General Fund Revenues

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

Other General Revenues

(thousands)

Other Revenues	Actual					Estimate	Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	
Licenses/Permits	3,754	4,225	4,268	3,810	3,548	3,902	4,007	4,115	
Intergovernmental	6,266	7,068	7,637	6,942	8,330	7,900	8,146	8,440	
Fines/Forfeits	789	809	1,051	1,036	706	706	706	706	
State Entitlements	1,772	1,627	2,100	1,886	1,918	2,025	1,988	2,001	
Miscellaneous *	4,131	4,246	4,225	6,270	4,607	4,295	4,913	3,882	1
Totals	16,712	17,975	19,281	19,944	19,109	18,828	19,760	19,144	

1. Includes indirect costs, interest earnings, grants and rentals; 2013 includes temporary retirement savings.

Broader Economic Context

The broader economy continues to exhibit cautious recovery signals. The Gross Domestic Product (GDP) has been growing slowly and consumer spending continues to strengthen. New in the last few months is a small recovery in the construction related economic activity. While retail activity began to recover some months ago, Redmond has only just now begun to see a small recovery (from the lows created by the Great Recession) in construction activity.

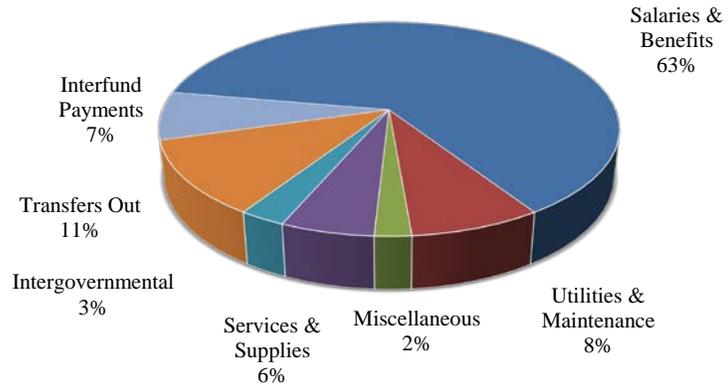
In Redmond, it appears the rate of economic growth continues at a pace below both what had been originally predicted and that which can sustain on-going costs of current operations. Like the 2011-2012 Budget, this Budget is built on a conservative forecast with slight growth in sales tax, utility taxes, and licenses and permits (which is consistent with the Council’s financial policies on revenues). Development revenue is expected to continue its slow recovery; however, it is not projected to return to peak levels until well beyond the forecast period (2013 remains about 30% below 2007).

General Fund Expenditures

The \$159.4 million budgeted 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 623 full-time equivalent employees (FTEs). The actual number of positions eliminated in the 2013-2014 Budget is five with an addition of five positions through realignment of resources.

Transfers to other funds constitute another significant portion of General Fund costs. Transfers are made to support the City’s CIP, Human Services, Arts, and Special Event Activity Funds, as well as maintenance of City Hall.

General Fund Expenditures by Type



The City is expected to end the biennium with approximately \$9.98 million in one-time revenue (this is compared to the \$2.7 million carried into the 2011-2012 Budget). This is the result of unanticipated one-time sales taxes received in 2011 and control of expenditures. This money is proposed to go towards one-time uses including permanently funding the economic contingency reserve, continued work with Northeast King County Public Safety Communications (NORCOM) dispatch, as well as continued investments in technology. The budget includes a new innovations fund of \$150,000 intended to provide resources to be leveraged for improved customer service or cost containment initiatives. Additional one-time revenues will also be transferred to the Capital Investment Program (CIP) to support the capital investment vision. These investments are in addition to support of the 5% transfer to the City’s CIP as provided for in the City’s Financial Policies.

Salaries and Benefits

Overall, in a budget to budget comparison, salary and benefit costs are projected to increase by 3.4% to 98.7 million over the biennium, excluding the salary and benefit contingency set aside for future labor agreements. Cost drivers for salary and benefits are market adjustments, medical costs and employer retirement contributions.

Medical rate increases are budgeted at 7.1% annually; however, the actual rate changes will be 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 the City to determine the actual medical rates which are expected to be consistent with the budget estimates.

Transfers Out

Transfers from the General Fund total 11% of the General Fund budget or \$18.0 million. These transfers include Human Services, Arts, and Community Events Funds, City Hall maintenance and contributions to the CIP. CIP contributions have increased by approximately 7% or \$4.6 million from the 2011-2012 Budget mostly due to one-time surpluses used to support significant CIP projects, such as converting the one way Downtown streets to two-way, Downtown Park design and the 116th Street roundabout.

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 2013-2014 due to of one-time professional services to support the innovation fund, a dispatch contingency for NORCOM and a strategic plan in the Fire Department.

Services and Supplies

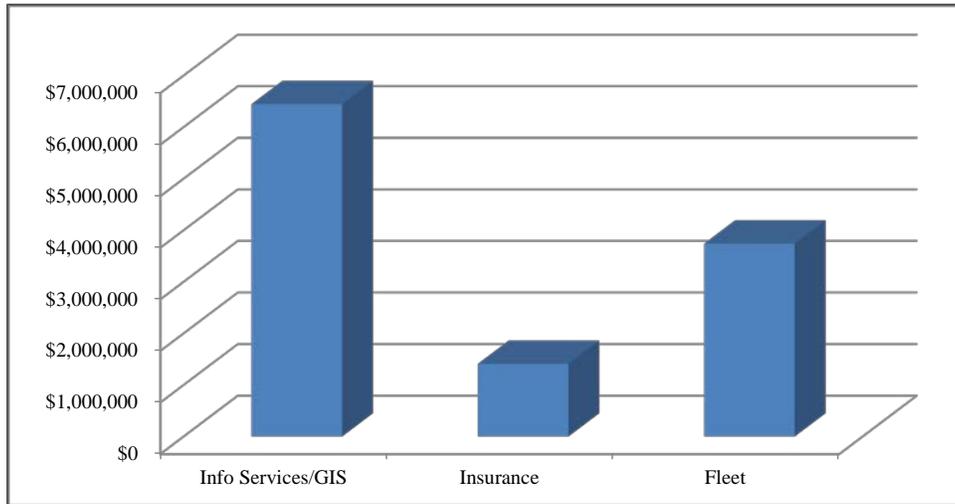
(thousands)

Services and Supplies	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
Supplies	1,390	1,438	1,506	1,796	1,104	1,767	1,746	1,820
Legal	756	415	305	503	368	367	360	374
Professional Services	1,259	1,438	1,431	1,901	1,398	1,217	1,716	1,674
Communication	363	347	357	401	319	323	413	443
Rentals	21	96	88	99	70	130	52	55
Totals	3,789	3,734	3,687	4,700	3,259	3,804	4,287	4,366

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 4% to \$11.6 million. The majority of the increase is due to fleet fuel transfers, insurance support, and both one-time and ongoing transfers to Information Services for support of a Senior Systems Technician for public safety technology and continuation of the technology strategic plan. 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 King County for jail and court services. For 2013-2014, fire dispatch costs in the General Fund have declined slightly due to a decline in calls based on a rolling eighteen month average used by NORCOM to determine dispatch charges. Court costs are also showing a decline due to the elimination of the red light camera program.

Intergovernmental Expenditures

(thousands)

Intergovernmental	Actual					Estimate	Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	
Jail	817	948	978	893	708	867	740	790	
Fire Dispatch	196	307	485	329	480	415	410	451	
Court/Other	982	1,066	1,253	1,200	1,126	1,241	998	998	1
Totals	1,995	2,321	2,716	2,422	2,314	2,523	2,148	2,239	

1. Other includes elections and auditor services.

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 on the next page, as well as the historical and projected costs for utilities, repairs, and maintenance line items. In 2013-2014, included in the utility forecast is the General Fund utility tax for its fire services which equals approximately \$1.9 million over the biennium. Also included is an additional stormwater charge (\$239,109) toward the City's impervious surface obligation.

Projected Utility Rate Increases

Utilities	Projected	
	2013	2014
Telephone	3.00%	3.00%
Electricity	3.00%	2.90%
Natural Gas	3.16%	3.16%
Garbage	3.80%	3.80%
Stormwater	0.00%	0.00%
Water	2.00%	2.00%
Wastewater	4.00%	4.00%

Utilities/Repairs and Maintenance

(thousands)

Utilities/R&M	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
Utilities	2,244	2,306	2,482	2,519	2,484	3,631	4,033	4,164
Repairs & Maintenance	935	1,227	1,288	1,412	1,322	1,104	1,026	1,060
Totals	3,179	3,533	3,770	3,931	3,806	4,735	5,059	5,224

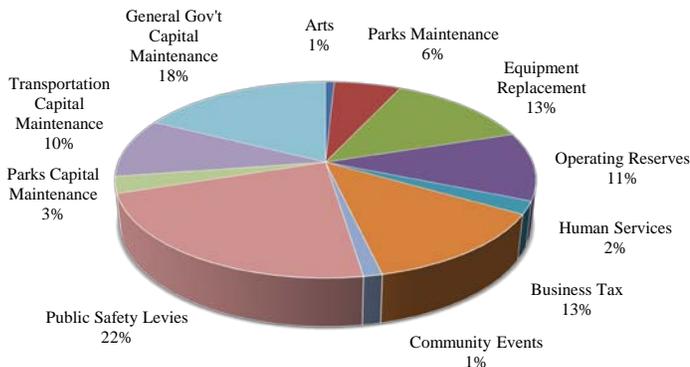
Miscellaneous

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

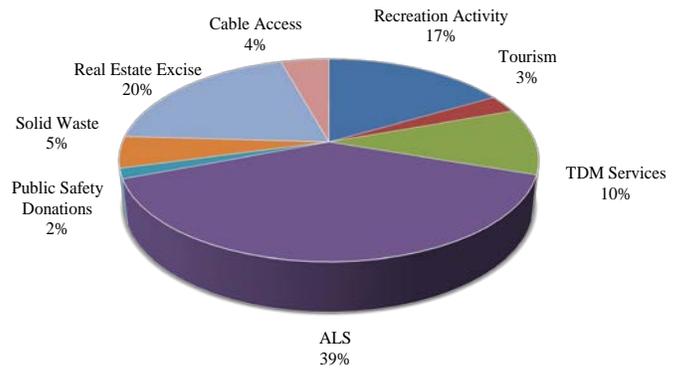
GENERAL FUND – SUB FUNDS AND SPECIAL REVENUE FUNDS

Special revenue funds account for revenues and expenditures that are restricted for a particular use. With the change required for GASB 54 (see explanation at the beginning of this section), 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 2013-2014 Budget total \$34.5 million (including transfers and ending fund balances) and are illustrated below.

General Fund – Sub Funds



Special Revenue Funds



In comparison, the sub-funds of the General Fund total \$71.9 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 2013-2014 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 Advanced Life Support 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 2007 and equal \$13.5 million for the 2013-2014 biennium. In 2013, King County voters will be asked to approve the continuation of the emergency medical services levy. At that time revenues will be reassessed to determine future contract amounts.

Fire, Police, & 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 Levy Funds

(thousands)

Special Levies	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
Fire Levy	0	2,268	2,284	1,982	2,047	2,119	2,650	2,735
Police Levy	0	2,186	2,195	1,422	1,601	1,789	2,192	2,281
Parks Levy	0	318	320	251	297	299	341	350
Totals	0	4,772	4,799	3,655	3,945	4,207	5,183	5,366

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)

Reserves	Actual					Estimate	Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	
General Fund Reserve	4,894	33	5,378	194	5,852	0	6,210	0	
Building Permit Reserve	412	0	1,110	0	309	0	0	0	¹
LEOFF I Reserve	420	0	388	0	350	0	454	0	
Capital Equipment Reserve	2,690	0	3,708	0	3,096	0	2,401	0	
Fire Equipment Reserve	2,417	0	2,743	0	3,045	0	3,793	0	
Totals	10,833	33	13,327	194	12,652	0	12,858	0	

1. In 2013-2014, the Building Permit reserve has been combined with the General Fund Reserve.
 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 created two debt service funds to pay for voted and non-voted debt. These funds are used to account for the principal and interest payments for the 1994 Refunded General Obligation, Bear Creek Parkway and Downtown Park projects. These debt obligations total \$7.4 million over the biennium, including principal and interest.

CAPITAL INVESTMENT PROGRAM

In 2013-2014, 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 priority areas. While there are infrastructure/capital needs beyond the urban centers, capital projects still should be 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.

In 2011, the Council adopted an eighteen year capital investment strategy or Vision Blueprint that outlined the investment needed in the long-term to realize the City's vision. The goals of the Vision Blueprint are to:

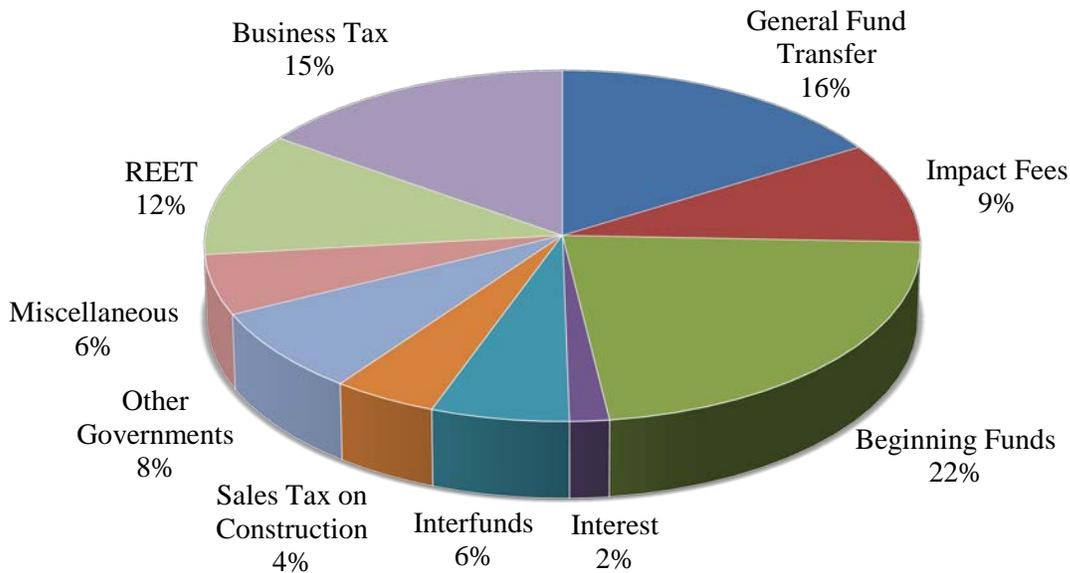
- Implement the Comprehensive Plan vision for Downtown, Overlake and established neighborhoods;
- Identify key strategic actions needed to carry out the vision;
- Summarize planned capital facility improvements sequencing and costs for the next 18 year period;
- Guide future decisions about priority infrastructure projects and programs in each of the CIP areas;
- Address deficiencies such as level of service requirements;

- Address maintenance, repair and upgrades as needed;
- Address funding strategies; and
- Address monitoring and reporting on progress.

Capital Investment Program projects range from street extensions and conversions to Downtown Park design, as well as utility infrastructure improvements. These projects are funded through a variety of revenue sources, both public and private.

Excluding beginning fund balances, Real Estate Excise Tax (REET), impact fees and business tax, and transfers made from the General Fund are the four major revenues that make up a significant portion of the \$89.1 million of 2013-2014 general CIP revenues. Other CIP revenues include federal and state grants, interest earnings and sales tax on construction.

Total 2013-2014 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. Due to the economic recession causing a lack of real estate activity in the City, REET declined by approximately 50% from its historical base of \$4 million during the 2009-2010 biennium. This revenue grew slightly (3%) in 2011-2012 and is expected to have the same growth pattern in the 2013-2014 biennium.

Business Tax (BTI)

Currently, a \$57.00 fee is assessed per employee to businesses operating in Redmond to support transportation and transportation demand management projects. These revenues have stayed relatively stable and are projected to grow by approximately 1.2%, 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, \$1.1 million (adjusted for inflation) 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. In 2013-2014, an additional \$4 million of one-time General Fund surplus will be transferred into the CIP to support the conversion of the Downtown one-way streets to two-way, complete the roundabout on 116th Street, and contribute to the Downtown Park design.

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. Impact fees have also declined due to the economic recession consistent with development review revenue. Impact fees are expected to grow by approximately 5% from 2011-2012 levels.

Major Capital Project Revenues

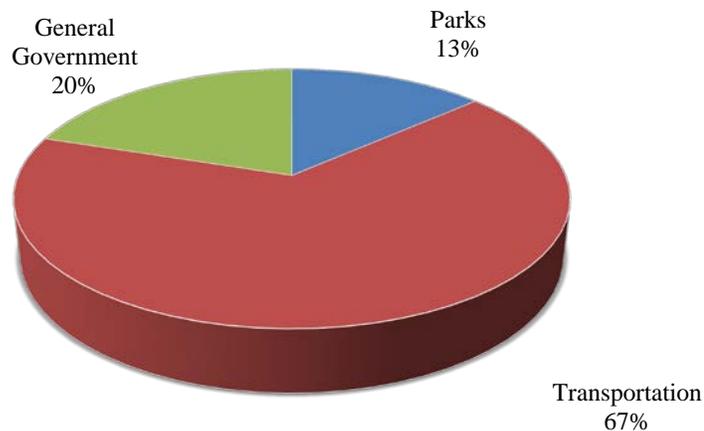
(thousands)

CIP Revenues	Actual					Estimate	Forecast	
	2007	2008	2009	2010	2011	2012	2013	2014
REET	10,013	2,824	2,170	2,656	2,815	3,099	2,986	3,076
Business Tax	4,168	4,540	4,462	4,018	4,066	4,100	4,149	4,199
General Fund Transfer	4,166	4,289	7,250	4,704	4,559	4,693	8,837	4,941
Impact Fees	4,019	6,274	971	1,966	2,330	2,345	2,415	2,487
Totals	22,366	17,927	14,853	13,344	13,770	14,237	18,387	14,703
Note: General Fund Transfer includes 5% of General Fund revenues, sales tax on construction, pavement management and additional one-time General Fund surplus.								

A significant portion of the biennial CIP has been dedicated to projects in the two urban centers, such as design and development of Downtown Park, the Redmond Way/Cleveland Street conversion from one-way streets to two-way, development of the Redmond Central Connector and the Overlake Village Pedestrian Bridge. 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 rates fund most of the costs associated with providing these services in our community. (Other sources include hookup fees and interest earnings.) Total Water/Wastewater and Stormwater revenues (including the Novelty Hill Service Area) are expected to increase from a budgeted \$97.5 million to \$101.1 million, a 3.7% increase. Proposed in the budget are water and wastewater rate increases for both in-City and Novelty Hill customers. These rate increases are due to a rise in purchased water costs and Metro sewer charges.

City policy calls for a rate update to be performed in conjunction with the adoption of each biennial budget which occurred in July 2012. The table on the next page reflects the rates approved in the 2013-2014 Budget.

Water/Wastewater Rate Increases

<u>Description</u>	2013 Proposed	2014 Proposed
City of Redmond		
Water	2.0%	2.0%
Wastewater	4.0%	4.0%
Novelty Hill		
Water	2.0%	2.0%
Wastewater	12.0%	0.0%

Enterprise Fund Revenues

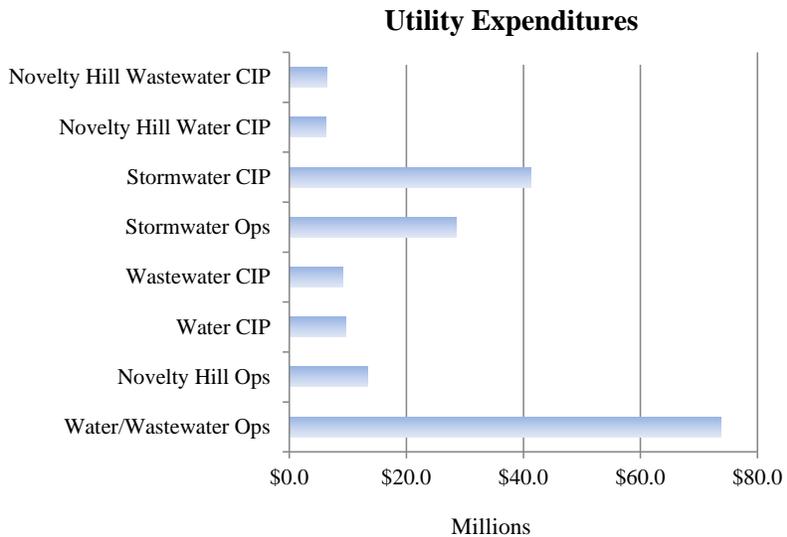
(thousands)

Utility Revenue	Actual					Estimate	Forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	
Water/Wastewater	30,612	42,760	31,566	23,237	30,639	30,426	32,968	33,843	1
Stormwater	10,893	11,005	10,865	11,367	12,264	11,343	11,484	11,623	
Novelty Hill	6,261	5,228	6,089	5,500	7,318	6,326	5,554	5,657	
Totals	47,766	58,993	48,520	40,104	50,221	48,095	50,006	51,123	

1. In 2008, Water/Wastewater includes \$12.1 million in bond proceeds.
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 (UPD) Operations, UPD Water Construction and UPD Wastewater Construction].



The total budget for all eight funds equals \$188.3 million (including ending fund balance and transfers) with \$115.6 million dedicated to operations and \$72.7 million earmarked for construction. Included in the utility construction funds are expenditures to support the Downtown and Overlake Urban Center vision, as well as stream rehabilitation 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 3.4% - 4.0% in future years. Contributions to the state retirement and medical costs are the two main drivers of these expenditures.

The City will remain vigilant about cost containment as the economic recession continues to put pressure on citywide revenues. Past cost containment measures, new budgeting practices, and efficiency improvements will help Redmond manage expenditure increases into the future, as the City continues to refine and improve its execution of the BP model consistent with its ten-year implementation plan, continues to realize efficiencies through new technology and gains valuable knowledge through the performance measurement system.

(See the Budget by Fund section for a financial summary of sources and uses of City funds).

CITYWIDE BUDGET SUMMARY

2013-2014 ADOPTED BUDGET

CITY OF REDMOND

Fund Number	Fund	2009-2010 Budget	2011-2012 Budget	2013-2014 Budget	Budget to Budget Difference	Percent Change
100	GENERAL FUND	\$162,102,421	\$146,889,655	\$159,397,119	\$12,507,464	8.5%
GENERAL FUND - SUB FUNDS						
011	Arts Activity	\$689,741	\$702,549	\$581,981	(\$120,568)	-17.2%
012	Parks Maintenance & Operations (M&O)	3,496,280	3,250,340	3,260,317	9,977	0.3%
013	Community Events	855,875	975,930	875,855	(100,075)	-10.3%
015	Microsoft Development	3,998,296	0	0	0	N/A
019	Human Services	1,385,069	1,392,729	1,572,373	179,644	12.9%
020	Fire Equipment Reserve	3,472,006	4,043,057	4,980,455	937,398	23.2%
021	Operating Reserve	7,549,857	7,586,283	8,062,368	476,085	6.3%
027	Capital Equipment Reserve	5,160,813	5,245,842	4,450,947	(794,895)	-15.2%
030	Business Tax	13,843,675	9,067,266	9,348,677	281,411	3.1%
035	Fire Levy	5,962,110	6,758,079	7,417,919	659,840	9.8%
036	Police Levy	5,578,979	7,348,043	8,634,689	1,286,646	17.5%
037	Parks Levy	668,102	940,264	1,111,528	171,264	18.2%
095 ¹	Parks Maintenance Projects	0	982,208	1,969,906	987,698	100.6%
096 ¹	Transportation Maintenance Projects	0	7,330,497	7,041,984	(288,513)	-3.9%
099 ¹	General Government Maintenance Projects	0	4,674,499	12,596,634	7,922,135	169.5%
Subtotal - General Fund - Sub Funds		\$52,660,803	\$60,297,586	\$71,905,633	\$11,608,047	19.3%
GRAND TOTAL GENERAL FUND		\$214,763,224	\$207,187,241	\$231,302,752	\$24,115,511	11.6%
SPECIAL REVENUE FUNDS						
110	Recreation Activity	\$4,633,389	\$4,613,406	\$5,784,333	\$1,170,927	25.4%
117	Cable Access	1,814,202	1,828,978	1,519,262	(309,716)	-16.9%
118	Operating Grants	5,146,260	3,925,576	3,640,010	(285,566)	-7.3%
122	Advanced Life Support (ALS)	11,803,215	12,133,394	13,495,004	1,361,610	11.2%
124	Aid Car Donation	145,482	412,907	467,109	54,202	13.1%
125	Real Estate Excise Tax (REET)	18,277,479	4,656,000	6,792,525	2,136,525	45.9%
126	Drug Enforcement	158,669	90,970	96,071	5,101	5.6%
128	Emergency Dispatch	9,693	0	0	0	N/A
131	Tourism (Hotel/Motel) Tax	1,065,896	762,998	965,818	202,820	26.6%
140	Solid Waste Recycling	1,724,886	1,406,827	1,727,633	320,806	22.8%
Subtotal - Special Revenue Funds		\$44,779,171	\$29,831,056	\$34,487,765	\$4,656,709	15.6%
DEBT SERVICE FUNDS						
230	Excess Levy - GO Bonds	\$1,528,607	\$808,153	\$285,815	(\$522,338)	-64.6%
233	Bear Creek Parkway/Downtown Park	5,300,025	15,683,347	7,093,785	(8,589,562)	-54.8%
Subtotal - Debt Service Funds		\$6,828,632	\$16,491,500	\$7,379,600	(\$9,111,900)	-55.3%
CAPITAL INVESTMENT PROGRAM (CIP) FUNDS						
314 ²	Council CIP	\$6,896,309	\$1,818,408	\$280,247	(\$1,538,161)	-84.6%
315	Parks CIP	38,044,334	23,281,838	9,568,616	(13,713,222)	-58.9%
316	Transportation CIP	78,292,925	36,660,784	50,709,493	14,048,709	38.3%
317 ²	Fire CIP	14,532,815	8,249,686	2,300,000	(5,949,686)	-72.1%
318 ²	Police CIP	3,601,270	873,355	150,958	(722,397)	-82.7%
319 ²	General Government CIP	15,146,833	13,497,811	6,092,902	(7,404,909)	-54.9%
Subtotal - CIP Funds		\$156,514,486	\$84,381,882	\$69,102,216	(\$15,279,666)	-18.1%

Fund Number	Fund	2009-2010 Budget	2011-2012 Budget	2013-2014 Budget	Budget to Budget Difference	Percent Change
ENTERPRISE FUNDS (UTILITIES)						
401	Water/Wastewater M&O	\$72,733,803	\$68,855,981	\$73,693,275	\$4,837,294	7.0%
402	UPD Water/Wastewater M&O	15,137,631	13,711,666	13,362,350	(349,316)	-2.5%
403	Water CIP	14,380,486	10,474,814	9,595,892	(878,922)	-8.4%
404	Wastewater CIP	4,834,215	4,448,677	9,136,068	4,687,391	105.4%
405	Stormwater M&O	65,053,559	28,016,473	28,545,447	528,974	1.9%
406	Stormwater CIP	52,711,921	43,627,852	41,191,763	(2,436,089)	-5.6%
407	UPD Water CIP	3,882,773	5,008,045	6,345,079	1,337,034	26.7%
408	UPD Wastewater CIP	4,101,275	4,997,487	6,457,963	1,460,476	29.2%
Subtotal - Enterprise Funds		\$232,835,663	\$179,140,995	\$188,327,837	\$9,186,842	5.1%
INTERNAL SERVICE FUNDS						
501	Fleet Maintenance	\$10,526,331	\$8,859,975	\$7,674,821	(\$1,185,154)	-13.4%
510	Insurance Claims & Reserves	3,327,735	2,707,692	2,604,817	(102,875)	-3.8%
511	Medical Self Insurance	22,214,083	22,397,785	28,935,281	6,537,496	29.2%
512	Workers' Compensation	1,956,093	2,454,422	2,522,533	68,111	2.8%
520	Information Technology	10,681,037	10,922,236	9,290,830	(1,631,406)	-14.9%
Subtotal - Internal Service Funds		\$48,705,279	\$47,342,110	\$51,028,282	\$3,686,172	7.8%
FINAL BUDGET - ALL FUNDS		\$704,426,455	\$564,374,784	\$581,628,452	\$17,253,668	3.1%

Footnotes:

1. Funds 095, 096, and 099 are Capital Maintenance Funds created in the 2011-2012 Budget in response to GASB 54.
2. Funds 314, 317, and 318 will be eliminated in 2013-2014 after accounting for the transfer of funds and become a part of the 319 Fund.

ALL FUNDS SUMMARY

	2009-2010 Actual	2011-2012 Budget	2011-2012 Estimated	2013-2014 Budget	Change	Percent Change
REVENUE						
Property Tax	\$40,376,133	\$43,209,695	\$44,236,202	\$45,272,705	\$1,036,503	2.3%
Sales Tax	37,776,929	41,454,568	45,313,384	43,679,548	(1,633,836)	-3.6%
Utility Taxes	23,110,006	26,015,629	22,510,566	25,677,098	3,166,532	14.1%
Other Taxes	13,796,340	13,492,538	14,446,498	15,090,358	643,860	4.5%
Total Taxes	115,059,409	124,172,430	126,506,650	129,719,709	3,213,059	2.5%
Licenses & Permits	13,579,772	12,306,515	9,350,162	15,895,423	6,545,261	70.0%
Intergovernmental	46,901,922	57,622,508	38,061,382	59,474,450	21,413,068	56.3%
Charges for Services	108,090,881	112,803,530	115,929,243	121,148,673	5,219,430	4.5%
Fines & Forfeits	2,091,008	4,714,402	3,986,134	1,658,746	(2,327,388)	-58.4%
Interest	5,134,079	4,352,086	3,784,211	4,187,156	402,945	10.6%
Other Revenue	53,443,539	41,083,842	44,479,166	51,104,003	6,624,837	14.9%
Non-Revenue	95,122,045	81,616,364	84,189,706	71,390,891	(12,798,815)	-15.2%
TOTAL REVENUE	\$439,422,653	\$438,671,677	\$426,286,654	\$454,579,051	\$28,292,397	6.6%
EXPENDITURES						
Salaries & Wages	\$101,465,371	\$99,690,267	\$101,502,102	\$105,901,997	\$4,399,895	4.3%
Overtime	3,325,723	3,016,630	3,121,104	2,956,397	(164,707)	-5.3%
Supplemental Help	2,699,491	3,715,593	2,721,892	2,955,903	234,011	8.6%
Other Compensation	505,825	555,460	578,945	401,864	(177,081)	-30.6%
Personnel Benefits	49,291,246	53,223,588	54,152,174	63,386,077	9,233,903	17.1%
Supplies	21,299,309	26,524,138	22,334,706	25,621,886	3,287,180	14.7%
Professional Services	27,112,474	14,686,176	19,462,116	13,816,060	(5,646,056)	-29.0%
Communication	1,083,614	1,355,880	1,035,794	1,265,339	229,545	22.2%
Training	309,280	496,751	565,888	442,617	(123,271)	-21.8%
Advertising	0	275,262	148,899	287,585	138,686	93.1%
Rentals	447,837	477,532	464,073	447,499	(16,574)	-3.6%
Insurance	0	1,713,500	2,152,200	1,604,980	(547,220)	-25.4%
Utilities	5,866,716	6,666,614	7,008,312	6,863,193	(145,119)	-2.1%
Repairs & Maintenance	11,922,522	15,474,316	11,258,954	16,622,196	5,363,242	47.6%
Other Services & Charges	6,089,831	9,795,908	5,869,439	8,623,760	2,754,321	46.9%
Intergovernmental	28,297,608	32,457,059	30,989,766	34,388,795	3,399,029	11.0%
Capital	65,191	110,024,014	68,467,957	96,892,065	28,424,108	41.5%
Interfund Payments	22,898,611	19,168,941	20,588,131	21,520,561	932,430	4.5%
Debt Service	83,008,123	15,480,558	26,450,828	15,998,760	(10,452,068)	-39.5%
Transfers Out	90,243,354	74,453,746	59,811,755	71,498,777	11,687,022	19.5%
TOTAL EXPENDITURES	\$455,932,128	\$489,251,933	\$438,685,035	\$491,496,311	\$52,811,276	12.0%
NET CHANGES	(16,509,475)	(50,580,256)	(12,398,381)	(36,917,260)	(24,518,879)	197.8%
FUND BALANCE JANUARY 1	162,866,329	125,703,107	159,442,625	127,049,401	(32,393,224)	-20.3%
FUND BALANCE DECEMBER 31	\$146,356,854	\$75,122,851	\$147,044,244	\$90,132,141	(\$56,912,103)	-38.7%
FULL TIME EQUIVALENTS	675.35	625.24	622.06	622.81	0.75	0.1%

Note: 2013-2014 Budget FTE count of 622.81 is for 2014.

STAFFING AUTHORIZATIONS

FULL-TIME EQUIVALENTS (FTEs)

CITY OF REDMOND

	2009-2010 Budget	2011-2012 Budget	2013-2014 Budget	Budget to Budget Difference
GENERAL FUND				
Executive/Legal ³	18.25	16.25	15.75	(0.50)
Finance & Information Services ^{1,3}	36.37	31.50	29.50	(2.00)
Fire	134.50	127.50	128.25	0.75
Human Resources	11.42	10.50	10.50	0.00
Parks & Recreation ³	39.92	37.06	35.55	(1.51)
Planning & Community Development ^{1,3}	51.83	57.41	58.91	1.50
<i>2014 Reduction³</i>			-1.00 *	-1.00
Police ³	127.30	127.10	129.10	2.00
Public Works ¹	57.78	45.47	45.47	0.00
Arts Activity	1.00	1.00	1.00	0.00
Special Events	0.00	1.00	1.00	0.00
Parks Maintenance & Operations	11.83	10.01	10.01	0.00
Microsoft Development Fund	14.00	0.00	0.00	0.00
Parks CIP Maintenance	1.30	2.00	2.51	0.51
Transportation CIP Maintenance	11.55	10.55	10.55	0.00
GENERAL FUND TOTALS 2013	517.05	477.35	478.10	0.75
GENERAL FUND TOTALS 2014			477.10 *	(0.25)
OTHER FUNDS				
Recreation Activity	9.92	10.49	10.49	0.00
Operating Grants Fund	3.75	3.00	3.00	0.00
Advanced Life Support ²	33.00	32.00	32.00	0.00
Solid Waste/Recycling ¹	3.26	3.63	3.63	0.00
Water/Wastewater ¹	40.60	36.53	34.16	(2.37)
UPD Operations & Maintenance	5.94	0.00	0.00	0.00
Stormwater Management ¹	28.77	27.48	30.85	3.37
Fleet Maintenance	6.16	6.58	6.58	0.00
Worker's Compensation Insurance	1.00	1.00	1.00	0.00
Information Technology ³	25.90	24.00	25.00	1.00
<i>2014 Reduction³</i>			-1.00 *	-1.00
OTHER FUND TOTALS 2013	158.30	144.71	146.71	2.00
OTHER FUND TOTALS 2014			145.71 *	1.00
TOTAL ALL FUNDS 2013			624.81	2.75
TOTAL ALL FUNDS 2014	675.35	622.06	622.81 *	0.75
SUPPLEMENTAL FTEs	55.23	53.62	47.63	(5.99)

Notes:

1. A reorganization of positions within Public Works, Finance and Planning occurred during 2012.
 2. A reduction of one position in 2012 due to overstaffing in Advance Life Support.
 3. Reductions made in 2013 include one half time position in Executive/Legal, one position in Finance/Accounting, one position in Parks and Recreations and one half time position in Planning. Reductions made in 2014 include one position in Planning and one position in Information Technology. Additions made in the 2013/2014 budget include one position in Planning, one position in Information Technology, one position in Wastewater Maintenance and Operations, .75 limited duration grant funded position in Fire Prevention and two positions in Police.
- * Reductions made in 2014 only.