

# BUDGET OVERVIEW

## 2009-2010 OPERATING BUDGET

### CITY OF REDMOND

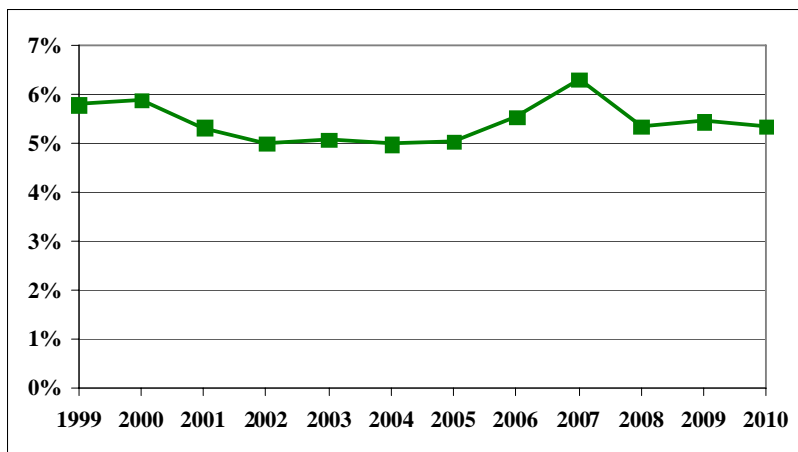
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Budget at a Glance serves as a high level summary of the 2009-2010 budget and includes revenue and expenditure projections over the biennium. This budget is different from the past in that it began by defining the community's priorities. Once the priorities were defined, the budget was built around those priorities rather than using traditional budget methods. The process used by the City known as Budgeting by Priorities (BP) relies on the Price of Government concept outlined in the 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 revenues as a percent of personal income ranges between 5 and 6 percent. This is typical for local governments.

**Price of Government - City of Redmond**



Note: The spike in 2007 is due to increased collections in real estate excise tax, a sales tax audit adjustment and increased in stormwater rates; 2008 is based on year end estimates.

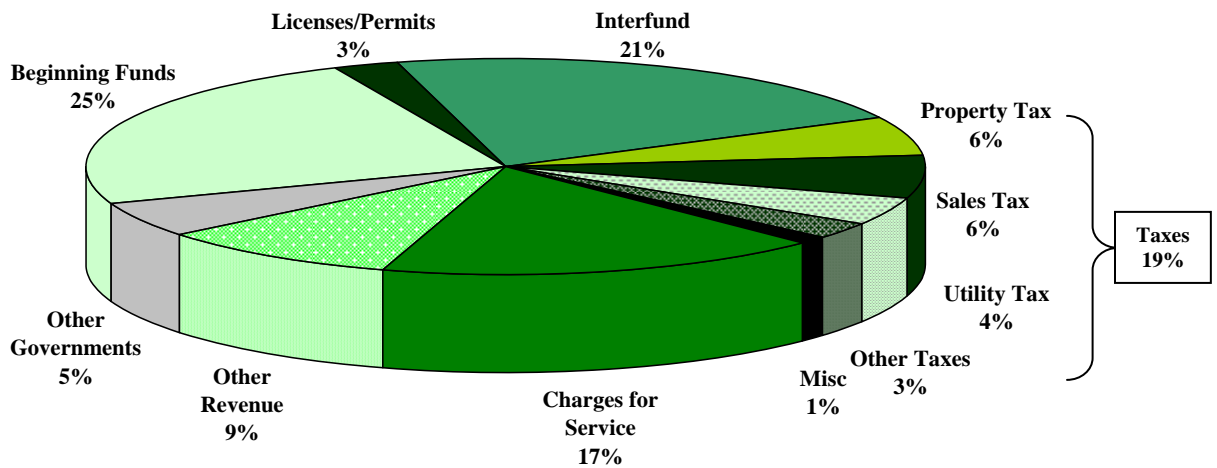
Keeping the Price of Government in mind, this budget sustains revenues and relies on innovation and efficiencies to keep expenditures within acceptable levels.

## 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. 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 \$679 million, including beginning fund balances; this is an approximate 10% increase over the 2007-2008 biennium. A majority of the increased revenue is due to forecasted bond revenue, private contributions, and estimated overcollections of 2007-2008 capital revenue all of which will go to support the City's Capital Improvement Program (CIP). The two major revenue changes in this budget include a 1% property tax increase, allowed by law, and a Water/Wastewater utility rate increase averaging 6% annually. The components of the City's 2009-2010 revenue sources are shown in the graph below.

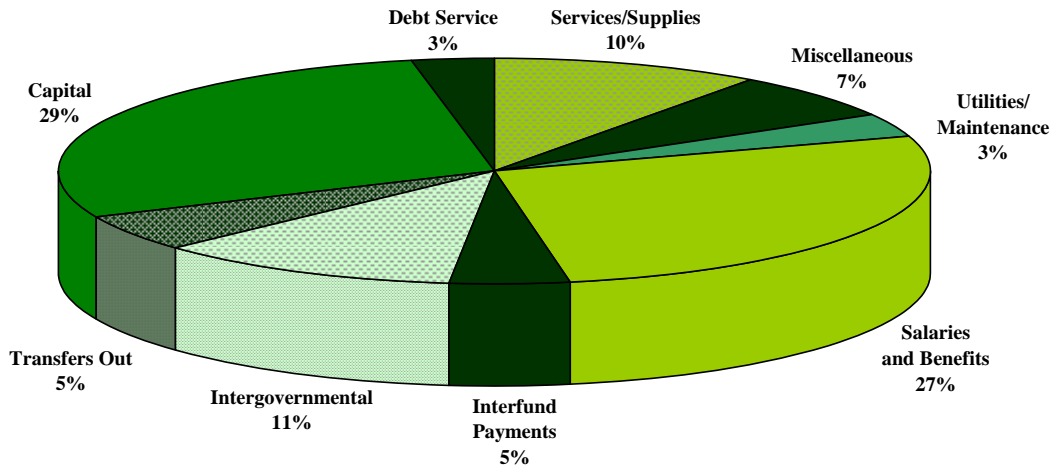
**2009-2010 Revenues by Type - All Funds**



The 2009-2010 budget funds all of the City's core services and maintains all Council policy directives regarding reserves and transfers to the CIP. Total expenditures are expected to rise 10% commensurate with revenues. Also included in the budget is a net increase of 7.47 full time equivalent employees (FTE), four of which are limited duration. The remaining FTE increases represent existing part-time employees who will be made full time and new employees to support water/wastewater maintenance programs, fire station maintenance, and the City's compensation system.

See page 21 for a financial summary of sources and uses of City funds.

## 2009-2010 Expenditures by Type - All Funds

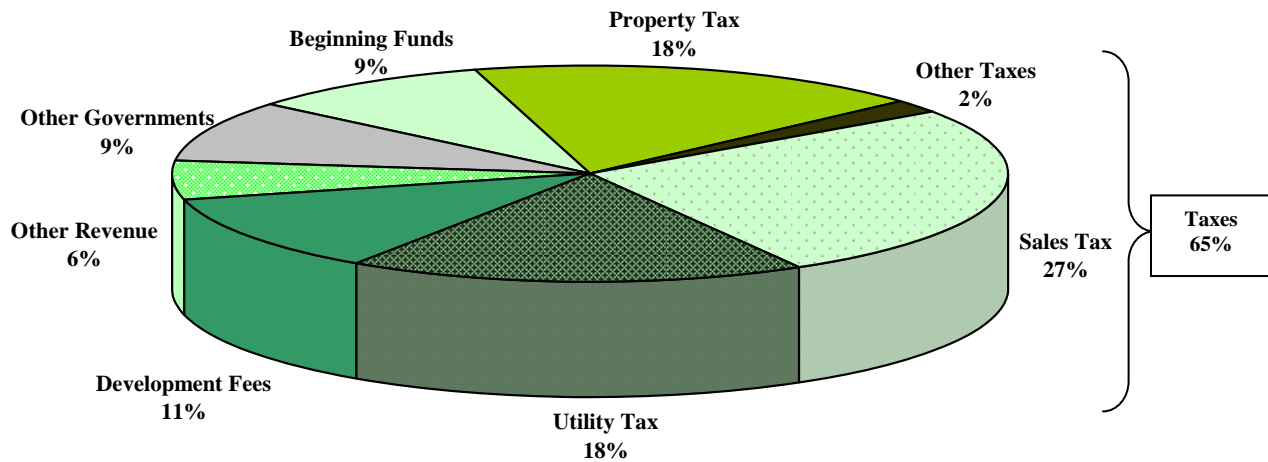


### General Fund Revenues

General Fund revenues are forecasted to grow by approximately 3% over the biennium from an estimated \$138 million to \$142 million, excluding beginning fund balance. In addition, the City ended the 2007-2008 biennium with approximately \$14.7 million in underexpenditures and/or overcollections of revenue in excess of estimates, largely due to a one-time sales tax audit adjustment, increased development revenue, utility taxes, and interest earnings. Shown below are the various components that make up General Fund revenues.

### 2009-2010 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 27% or \$41.4 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 .01% 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.

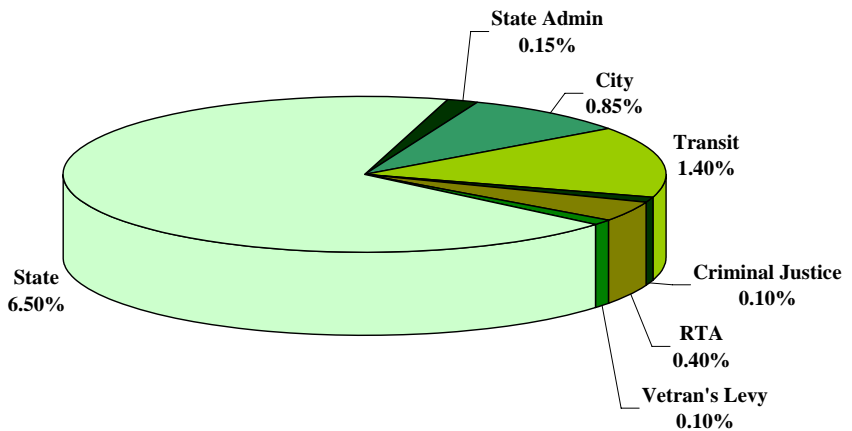
The regional economy continues to diversify and Redmond continues to see much of that diversification within its city limits.

While Boeing Company has been the major employer in the greater region, they are now joined by Microsoft, as well as numerous other technology and biotech firms.

Redmond’s General Fund budget is heavily reliant on sales tax which is subject to greater economic swings than most other sources of local government revenues. Sales tax are projected to grow, on average, by 3% per year for

the next six years as Redmond is expected to continue to be attractive to commercial, retail and residential interests. For additional details about the sales tax, see the Supplemental Information section.

**Distribution of Sales Tax**



**Property Tax**

Redmond receives approximately \$1.35 per \$1,000 of assessed valuation from property owners located with the City limits. This equates to \$27.7 million over the 2009-2010 biennium and includes a Council approved 1% increase. Detailed in the table below are historical collections of property taxes in Redmond. The additional amounts in excess of the 1% allowed by state legislature can be attributed to the citizen approved levy lid lift in 2007, plus revenues from new construction and annexations.

**Historical Redmond Property Tax Collections**

	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
Property Tax	\$10,182,453	\$11,061,331	\$11,624,892	\$12,052,751	\$12,646,923	\$13,607,295	\$14,098,800
Percent Difference	4.69%	8.63%	5.09%	3.68%	4.93%	7.59%	3.61%

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 levy’s that are earmarked for the state, schools, emergency medical services (EMS), hospitals, local libraries, King County and the port.

For a detailed look at the components of the total property tax rate see the Supplemental Information section.

**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 storm utilities. Illustrated below are the utility taxes Redmond levies and the amount expected to be collected in 2009 and 2010.

**Utility Taxes**

	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
<b>Utility Taxes</b>							
Electricity	\$3,535,365	\$4,032,056	\$4,724,899	\$5,833,448	\$6,241,789	\$6,307,203	\$6,743,753
Garbage Franchise	451,662	467,685	464,823	510,379	476,222	485,270	494,490
Telephone	1,757,947	1,684,377	1,768,423	1,793,952	1,758,673	1,758,673	1,758,673
Cellular Phone	1,402,367	1,417,428	1,734,168	2,196,143	2,327,912	2,467,586	2,615,641
Natural Gas	780,191	992,334	1,301,786	1,708,339	1,825,391	1,922,319	2,024,394
<b>Total Utility Taxes</b>	<b>\$7,927,533</b>	<b>\$8,593,881</b>	<b>\$9,994,099</b>	<b>\$12,042,261</b>	<b>\$12,629,987</b>	<b>\$12,941,052</b>	<b>\$13,636,952</b>

Redmond collects other taxes such as cable franchise fees and admissions tax. For a complete listing of taxes and general taxing rates see the Supplemental Information section.

**Development Revenue**

A development user fee study approved in 2005 enacted a revised fee structure targeting 85-90% cost recovery for planning entitlement fees and full cost recovery for all other development fees. The forecasted revenue for this biennium assumes a continuation of this policy.

**Development Revenues**

	Actual				Estimate	Forecast		Notes
	2004	2005	2006	2007	2008	2009	2010	
<b>Development Revenues</b>								
Residential Permits	\$888,047	\$1,314,544	\$989,839	\$1,051,112	\$850,433	\$833,790	\$810,260	
Commercial Permits	214,687	220,870	937,895	425,625	396,000	417,780	437,290	
Plumbing/Electric	1,148,136	1,310,427	2,758,405	3,563,323	2,517,000	2,213,110	2,263,435	(1)
Plan Review	787,778	689,312	1,425,309	1,543,889	1,125,000	1,035,940	1,123,350	
Plan Checks	446,972	530,667	438,317	592,593	400,000	600,000	600,000	(2)
<b>Total Development Revenues</b>	<b>\$3,485,620</b>	<b>\$4,065,821</b>	<b>\$6,549,765</b>	<b>\$7,176,542</b>	<b>\$5,288,433</b>	<b>\$5,100,620</b>	<b>\$5,234,336</b>	

Notes:

(1) Includes Heating/Plumbing Permit, Building Permit-Tenant Improvement, Building Permit-Multi Family, Electrical Permit and Technology Surcharge.

(2) Includes Building Inspection and Plan Reviews and Engineering Plan Check.

The forecast for 2009 is based on known projects in the “pipeline.” While the economy is in recession (and the forecast reflects this), there are still significant projects anticipated in 2009. The overall estimate for 2009 is 3.6% lower than 2008 receipts while the 2010 forecast presumes some economic recovery.

### ***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**

	<b>Actual</b>				<b>Estimate</b>	<b>Forecast</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
License and Permits	\$966,044	\$2,018,962	\$2,180,298	\$2,956,420	\$2,944,349	\$3,002,833	\$3,041,155
Intergovernmental	6,366,736	6,600,251	7,288,541	8,039,958	7,724,231	8,643,942	8,879,816
Fines and Forfeitures	179,353	71,553	30,930	788,768	794,800	794,800	794,800
Miscellaneous	3,671,601	2,974,001	3,378,917	4,094,622	4,105,077	3,933,510	3,963,347
<b>Total Other Revenues</b>	<b>\$11,183,735</b>	<b>\$11,664,767</b>	<b>\$12,878,686</b>	<b>\$15,879,768</b>	<b>\$15,568,458</b>	<b>\$16,375,085</b>	<b>\$16,679,118</b>

### ***Prospects for the Future***

The regional economy was strong during much of the 1990s. As a result, assessed valuations and sales tax revenue grew an average of 9.9% and 6.7%, respectively. The latest increase in assessed values of existing property was over 13%. A significant amount of construction is occurring within the City which will add to the tax base in future years as well. The Microsoft campus alone is involved in a \$1 billion expansion that is expected to be completed in three years. New construction added to the tax roles results in annual increases in the tax collected. The future property tax forecast assumes the Council continues to support the growth of property tax revenues by 1% annually as allowed by law.

After the robust growth of the 1990s the national recession in 2001 and 2002 had a dampening effect on retail sales. From 2000 through 2007, sales taxes have grown 32% (including one-time audit adjustments). The regional economy continues to diversify and Redmond continues to see much of that diversification in the local area. Microsoft is the dominant employer with their employees making up one-half of the workforce within the City. City budgets are typically very reliant on sales tax which is affected by cyclical, big ticket items. For the 2009-2010 biennium sales taxes are forecasted to grow by only 3-4%, taking into account the economic downturn the nation is experiencing.

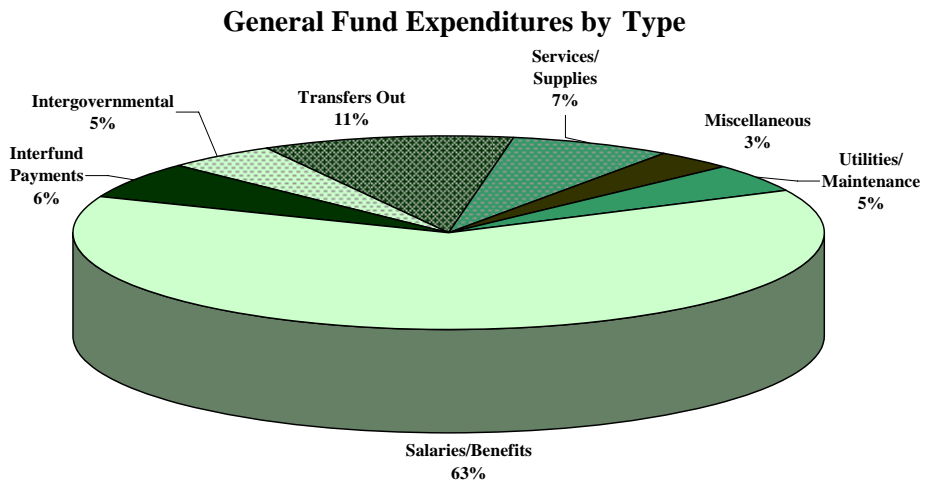
In the utility tax area, Redmond has experienced some unusual activity in 2007, some of which will adjust the utility tax base in future years. As electrical and natural gas rates rise the City will receive additional revenue. However, telephone utility taxes are projected to be static due to the shift in consumers away from land lines to cellular technology. Federal legislation may also play a role in changes to utility taxes. Congress has considered various bills that would limit the definition of "telephones" as it relates to emerging technologies which would eliminate such services as Digital Subscriber Lines (DSL) and Voice Over Internet Protocol (VOIP) from taxation as part of the telephone utility. The forecast for the next biennium is based on projected inflation, growth in City population, historical trends, and projected rate increases from Puget Sound Energy.

The forecast for biennial development revenues is based on known projects in the “pipeline”. Although the economy has slowed (and the forecast reflects this), many significant projects are anticipated in 2009. The overall estimate for 2009 is 3.6% lower than estimated 2008 receipts. Projections for 2010 presume an overall economic recovery with growth of 2.6%, above 2009 levels. If the economic recovery is delayed, the anticipated increase could be delayed as well.

**General Fund Expenditures**

The \$156 million budgeted in the General Fund supports the basic operations of the City, such as Police, Fire, Parks, Planning, Public Works and Administration. The new biennial budget supports 668 full-time equivalent employees (FTEs), a majority (65%) are fully or partially funded by the General Fund. 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 Activities Funds, as well as maintenance of City Hall.

The City is expected to end the biennium with approximately \$14.7 million in one-time revenue. This money will go towards several one-time initiatives including setting aside money to mitigate changes in the economy, implementation of the Information Services strategic plan, investments in innovation, and additional transfers to the City’s CIP to support acquisition of the Burlington Northern/Santa Fe Railroad right-of-way.



***Salaries and Benefits***

Overall, in a budget to budget comparison, salary and benefit costs are projected to rise an average of 5.8% annually, excluding the salary and benefit contingency set aside for future labor agreements. Cost drivers for salary and benefits are merit and market adjustments (assumed at 4.5% for most labor groups), overtime and employer retirement contributions (as shown in the table below).

**Employer Retirement Contributions**

Retirement Contributions	Actual		Projected	
	2007	2008	2009	2010
PERS 1, 2 & 3	5.46%	5.46%	8.71%	9.10%
LEOFF 1	0.16%	0.16%	0.16%	0.16%
LEOFF 2	4.90%	5.41%	5.43%	5.39%

The biennial budget includes an addition of 7.47 new FTEs of which 6.33 will be supported by the General Fund. Salary and benefit expenditure trends are shown in the table below (please note, the large increase in 2007 was due to the settlement of the Fire labor contract that was retroactive to 2005).

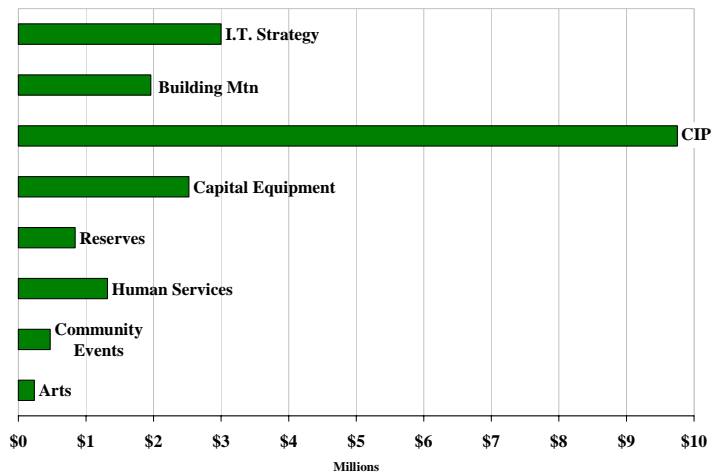
### General Fund Salary and Benefit Expenditures

	Actual				Estimate	Budget	
	2004	2005	2006	2007	2008	2009	2010
<b>Salary &amp; Benefits</b>							
Salaries	\$27,461,687	\$26,691,020	\$27,308,622	\$30,826,680	\$30,946,871	\$33,336,606	\$34,721,245
Overtime	1,136,948	1,788,418	1,601,994	1,723,389	1,590,494	1,534,449	1,832,062
Supplemental Help	460,902	569,853	503,795	551,857	756,521	793,833	815,070
Other Compensation	133,620	128,781	123,947	122,584	164,875	361,132	372,480
Benefits	7,108,326	7,389,168	8,025,102	9,561,777	10,499,985	10,840,915	11,501,144
<b>Total Salary &amp; Benefits</b>	<b>\$36,301,483</b>	<b>\$36,567,240</b>	<b>\$37,563,460</b>	<b>\$42,786,287</b>	<b>\$43,958,746</b>	<b>\$46,866,935</b>	<b>\$49,242,001</b>
Percent Change	8.3%	0.7%	2.7%	13.9%	2.7%	6.6%	5.1%

### Transfers Out

Transfers from the General Fund include contributions to the CIP, Human Services, Arts, and Community Events Funds, as well as City Hall maintenance and reserves. Increases in transfers from the General Fund occurred due to the inclusion of \$3 million in one-time funds for the Information Technology Strategic Plan implementation and an additional contribution to the CIP to support the acquisition of the Burlington Northern/Santa Fe Railroad right-of-way.

### Transfers Out



### Services & Supplies

The services and supply category includes expenditures such as, operating supplies, professional services, legal, travel, training, contingencies, and postage. In addition to right-sizing the legal budget for actual needs, there are several large contingencies and one-time expenditures in the 2009-2010 services and supplies budget. Funds have been set aside in the Council's economic contingency (\$1.6 million) to mitigate the effects of the economic downturn, the Executive budget contains a Mayor's innovation fund (\$250,000) and other funding has been earmarked for internal and external surveys, technology surcharge projects, and commuter subsidies.



## Services and Supplies

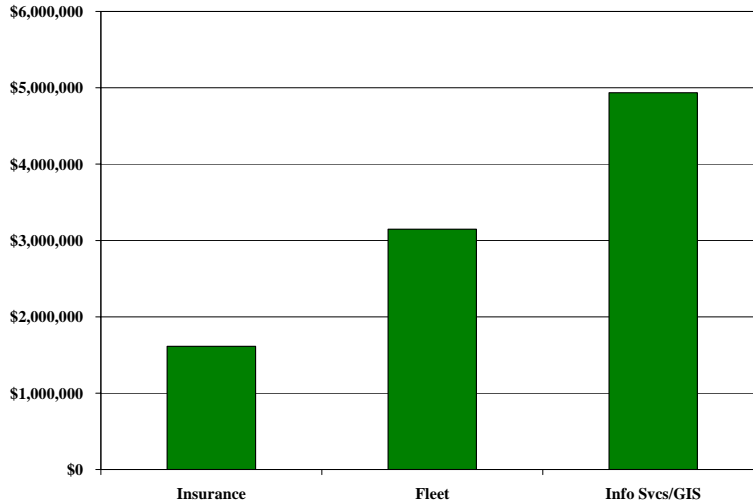
	Actual				Estimate	Budget	
	2004	2005	2006	2007	2008	2009	2010
<b>Services &amp; Supplies</b>							
Supplies	\$1,642,799	\$1,890,502	\$2,747,552	\$1,477,076	\$1,261,078	\$1,908,835	\$1,861,539
Contingencies/Projects	0	0	0	0	0	2,348,911	0
Professional Services	1,561,979	1,359,774	2,079,265	1,997,861	3,055,629	2,871,449	2,606,743
Communication	314,347	304,646	398,632	363,649	372,991	487,301	505,596
Rentals	317,642	317,252	65,601	21,191	80,492	60,573	61,784
<b>Total Services &amp; Supplies</b>	<b>\$3,836,767</b>	<b>\$3,872,174</b>	<b>\$5,291,050</b>	<b>\$3,859,777</b>	<b>\$4,770,190</b>	<b>\$7,677,069</b>	<b>\$5,035,662</b>
Percent Change	-1.1%	0.9%	36.6%	-27.1%	23.6%	60.9%	-34.4%

### *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.

It is important to note that other interfund payments go towards reserves as wells 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 the City of Bellevue for fire dispatch services and with King County for jail and court services.

#### **Intergovernmental Expenditures**

	<b>Actual</b>				<b>Estimate</b>	<b>Budget</b>		<b>Notes</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
<b>Intergovernmental</b>								
Jail	\$675,621	\$563,078	\$894,560	\$817,191	\$836,016	\$950,850	\$893,400	(1)
Fire Dispatch/EPSCA	169,090	143,817	235,178	196,080	341,915	606,193	606,193	(1)
Court/Other	273,781	206,295	528,982	981,945	1,399,940	1,114,299	929,640	(2)
<b>Total Services &amp; Supplies</b>	<b>\$1,118,492</b>	<b>\$913,190</b>	<b>\$1,658,720</b>	<b>\$1,995,216</b>	<b>\$2,577,871</b>	<b>\$2,671,342</b>	<b>\$2,429,233</b>	
Percent Change	17.9%	-18.4%	81.6%	20.3%	29.2%	3.6%	-9.1%	

Notes:

- (1) Includes 2009-2010 contingencies of \$100,000 for a jail costs study and \$400,000 for potential impacts of North East King County Regional Public Safety Communications Agency Interlocal Agreement (NORCOM)/Redmond Communications Agency (REDCOM).
- (2) 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 below, as well as the historical and projected costs for utilities, repairs, and maintenance line items.

#### **Projected Utility Cost Increases**

<b>Utilities</b>	<b>Projected</b>	
	<b>2009</b>	<b>2010</b>
Telephone	2.40%	2.50%
Electricity	3.00%	3.00%
Natural Gas	5.31%	5.31%
Garbage	1.90%	1.90%
Stormwater	0.00%	0.00%
Water	6.00%	5.00%
Wastewater	6.00%	3.00%

## Utilities/Repairs and Maintenance

	Actual				Estimate	Budget	
	2004	2005	2006	2007	2008	2009	2010
<b>Utilities/R&amp;M</b>							
Utilities	\$1,822,089	\$1,905,039	\$1,951,054	\$2,243,527	\$2,364,926	\$2,494,403	\$2,594,198
Repairs and Maintenance	707,777	733,155	899,929	935,124	2,014,280	1,032,575	1,108,730
<b>Total Services &amp; Supplies</b>	<b>\$2,529,866</b>	<b>\$2,638,194</b>	<b>\$2,850,983</b>	<b>\$3,178,651</b>	<b>\$4,379,206</b>	<b>\$3,526,978</b>	<b>\$3,702,928</b>
Percent Change	1.4%	4.3%	8.1%	11.5%	37.8%	-19.5%	5.0%

### Miscellaneous

The last category of expenditures, miscellaneous, includes capital purchases, tuition, advertising, and other expenditures such as support for the Redmond Pool operated by the North West Center.

### Prospects for the Future

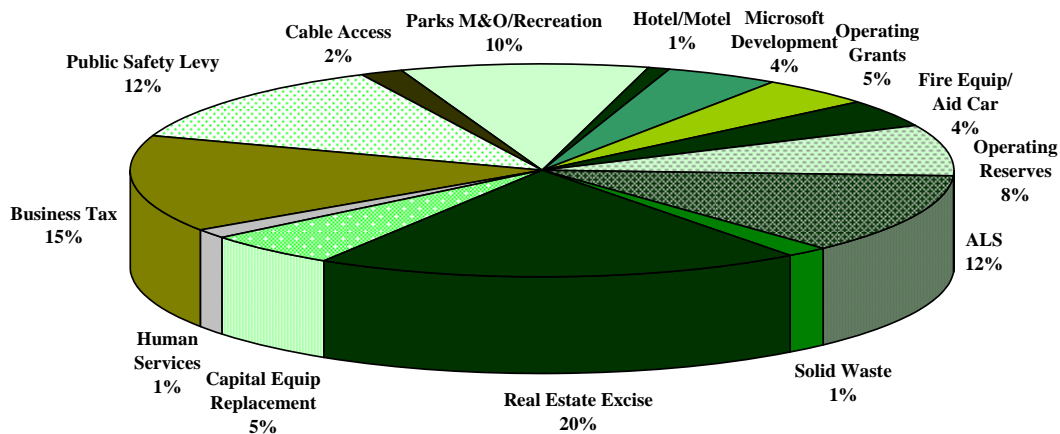
In the City's long-range forecast, salary and benefits which make up 63% of the General Fund and are expected to rise by approximately 5% annually over the next six-years. Contributions to the state retirement and medical costs are the two main drivers of these expenditures. Through cost containment, premium cost sharing, and a new health assessment program, the City hopes to contain medical costs to minimal increases per year.

In the future, the City will continue to make significant transfers from the General Fund to the CIP for construction projects, as well as maintain reserves at policy levels. Past cost containment measures, new budgeting practices, and efficiency improvements will help Redmond curtail expenditure increases into the future.

## SPECIAL REVENUE FUNDS

The City maintains twenty-one special revenue funds that account for revenue and expenditures that are restricted to a particular use. Examples of some larger special revenue funds are Advanced Life Support (ALS) which is supported by the Emergency Medical Services (EMS) Levy and the Police, Fire and Parks Levy funds that collect and spend the special property tax levy that Redmond voters approved in 2007. Special Revenue Funds in the 2009-2010 Budget total \$95 million (including transfers and ending fund balances) are illustrated below.

### 2009-2010 Special Revenue Funds



Following is a discussion of the 2009-2010 projected revenues for some of the larger Special Revenue Funds.

**Advanced Life Support (ALS)**

An emergency medical services property tax is paid by all property owners in King County. The taxes collected support paramedic services throughout the County. In 2002, 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. Forecasted revenues for this service are based on the emergency medical services levy strategic plan approved by voters King County in 2007.

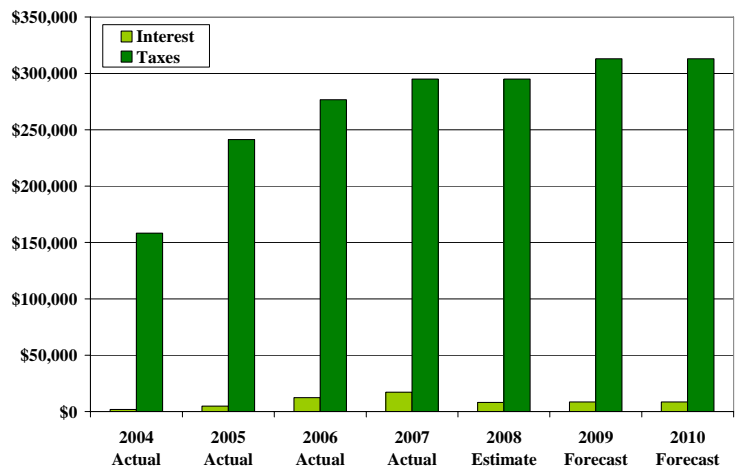
**Advance Life Support Revenues**

	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
Advanced Life Support	\$3,568,090	\$3,870,256	\$4,750,523	\$5,362,039	\$5,380,436	\$5,627,402	\$5,902,923
	16.20%	8.47%	22.74%	12.87%	0.34%	4.59%	4.90%

**Hotel/Motel Tax**

Authorized in 1998, a 1% tax is levied on the sale of lodging in accordance with state law. Revenues generated are to be used for items related to tourism. Tourism is defined as anything which brings in someone who is not from Redmond. The state law permitting the City to levy this tax requires a city with a population over 5,000 to have a “Lodging Tax Advisory Committee” of at least five members appointed by the Council. The Committee reviews the proposed use of the revenue and advises the mayor and council of recommended program expenditures. The forecast for this revenue is projected on the historical trend of the sale of lodging in the City.

**Hotel/Motel Tax**



**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 eighteen firefighters to be stationed at Fire Station #12 and at the soon to be constructed Fire Station #17. Seventeen police personnel were added to support patrol and a comprehensive school safety program with money also going to parks maintenance and recreation programs. These revenues are subject to the 1% growth limitation imposed by the state legislature on property taxes.

## Special Levy Funds

Levy Funds	Estimate	Forecast	
	2008	2009	2010
Fire Levy Fund	\$2,285,797	\$2,308,655	\$2,331,742
Police Levy Fund	2,174,055	2,195,796	2,217,754
Parks Levy Fund	319,000	322,190	325,412
<b>Total Levy Funds</b>	<b>\$4,778,852</b>	<b>\$4,826,641</b>	<b>\$4,874,907</b>

### Reserve Funds

The City maintains three funds dedicated to supporting the City’s reserves. According to fiscal policies, the City will maintain General Fund reserves to mitigate a significant crisis, a building permit reserve to support the cyclical nature of the permitting process, 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. The 2009-2010 budgeted reserves are illustrated below.

## Operating Reserve Fund Balances

Reserves	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
General Fund Reserves	\$4,143,158	\$3,455,694	\$4,903,223	\$4,894,089	\$4,894,089	\$5,378,093	\$5,572,399
Building Permit Reserve	912,600	912,600	412,600	412,600	1,108,915	1,204,596	1,270,849
LEOFF I Reserve	457,594	527,594	420,632	420,632	510,632	666,609	706,609
Capital Equipment Reserve	1,010,063	2,204,815	1,295,347	2,689,552	2,200,053	2,193,787	2,818,737
Fire Equipment Reserve	2,005,759	685,948	1,952,224	2,416,683	1,535,675	963,550	2,508,456
<b>Total Reserves</b>	<b>\$8,529,174</b>	<b>\$7,786,651</b>	<b>\$8,984,026</b>	<b>\$10,833,556</b>	<b>\$10,249,364</b>	<b>\$10,406,635</b>	<b>\$12,877,050</b>

### DEBT SERVICE FUNDS

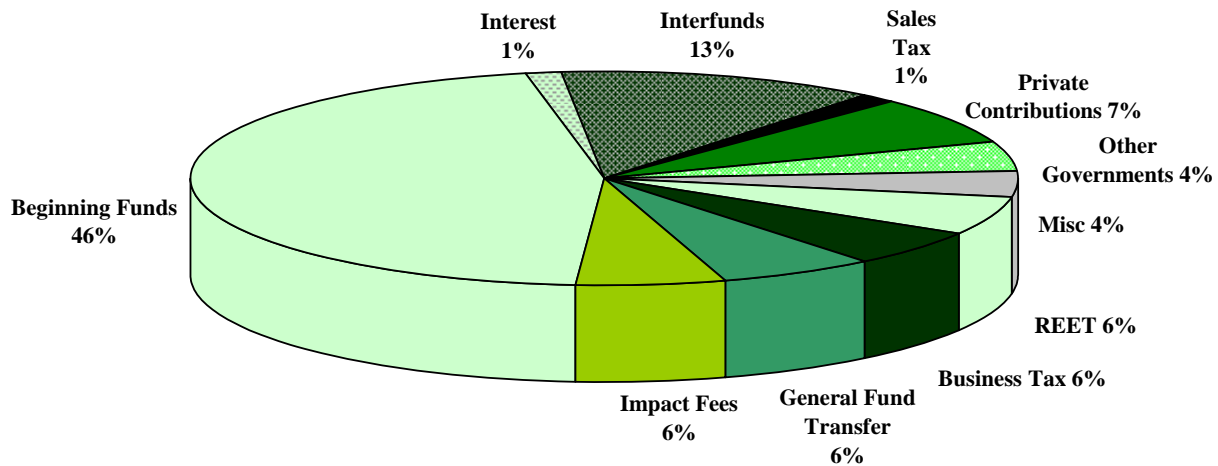
The City has created two debt service funds to pay for voted and non-voted debt. These funds are used to account for the principal and interest payments for the 1994 Refunded General Obligation debt and the debt payments on the Bear Creek Parkway project. These debt obligations total \$6.8 million over the biennium, including principal, interest, and ending fund balances.

### CAPITAL IMPROVEMENT PROGRAM

The City’s general CIP is broken down into six functional areas – parks, transportation, fire, police, general government and council contingency. Each of the functional allocations has a dedicated fund to track and monitor revenues and expenditures. The City’s CIP projects are defined as a project that is \$25,000 or more and has a useful life of five years or more. CIP projects range from major street repairs to constructing new fire stations and are funded by a variety of revenue sources.

Excluding beginning fund balances and interfund transfers, real estate excise tax, impact fees, business tax, and transfers made from the General Fund are the four major revenues that make up a significant portion of the \$153 million of CIP revenues. Other CIP revenues include federal and state grants, private contributions, interest earnings and sales tax on construction.

### Total 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. The anticipated revenues from REET fluctuate annually mostly due to swings in the commercial real estate market. REET is projected to decrease from 2007 levels as the economic decline reduces the amount of real estate being bought and sold.

#### ***Business Tax (BTI)***

A \$55.00 fee is assessed per employee to businesses operating in Redmond to support transportation and transportation demand management projects. These revenues are projected to grow 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) are transferred into the City’s capital improvement program. In addition, \$1.1 million of sales tax on construction goes to support the lease on the City Hall building. In 2009, an added \$2.6 million will be transferred to support the acquisition of the Burlington Northern/Santa Fe Railroad right-of-way.

#### ***Impact Fees***

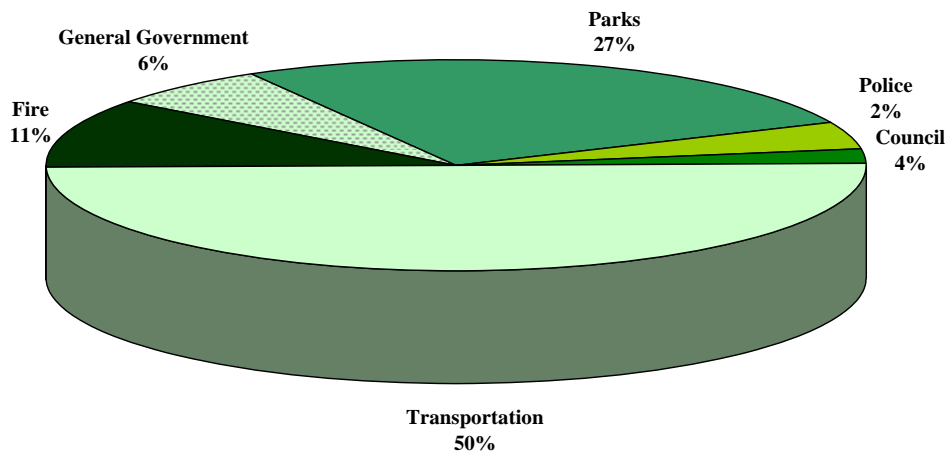
The City collects impact fees from developers for transportation, fire, and parks. These impact fees are restricted to capacity projects that mitigate the impacts of growth in the community. The forecasted fees are based on anticipated commercial and residential development within the City limits and are projected to decline from 2007-2008 levels.

## Major Capital Project Revenues

Capital Project Revenues	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
REET	\$4,087,128	\$5,458,684	\$7,385,869	\$10,012,965	\$4,201,587	\$4,327,635	\$4,544,017
BTTI	3,422,104	3,602,038	3,789,649	4,167,669	4,312,234	4,368,293	4,420,713
General Fund Transfer	2,328,354	2,514,914	3,586,309	2,765,648	2,888,866	5,850,528	3,304,153
Impact Fees	1,536,507	1,892,707	1,398,632	4,018,875	7,329,446	5,588,000	3,478,229
<b>Total Capital Project Revenues</b>	<b>\$11,374,093</b>	<b>\$13,468,343</b>	<b>\$16,160,459</b>	<b>\$20,965,157</b>	<b>\$18,732,133</b>	<b>\$20,134,456</b>	<b>\$15,747,112</b>

A significant portion of the biennial CIP has been dedicated to three priority projects including the construction of Fire Station #17, acquisition and development of a downtown park, and acquisition of the Burlington Northern/Santa Fe Railroad right-of-way. Expenditures by functional allocation are shown below.

**CIP Expenditures by Functional Area**  
*(excludes ending fund balances)*



## ENTERPRISE FUNDS

### *Water, Wastewater, and Stormwater Revenue*

The water, sewer, 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 revenues (including the Novelty Hill Service Area) are expected to increase from an estimated \$61 million to \$69 million, a 13% increase. Proposed in the budget are rate increases for both in-City and Novelty Hill customers. The rate increases are outlined in the table on the next page.

### Proposed Water/Wastewater Rate Increases

Description	2009 Adopted	2010 Adopted
<b>City of Redmond</b>		
Water	6.0%	5.0%
Wastewater	6.0%	3.0%
<b>Novelty Hill</b>		
Water	15.0%	5.0%
Wastewater	12.0%	10.0%

### Enterprise Fund Revenues

	Actual				Estimate	Forecast	
	2004	2005	2006	2007	2008	2009	2010
<b>Utilities</b>							
<b>Water/Wastewater</b>							
Charges for Service - City	\$19,683,440	\$20,658,122	\$21,085,080	\$24,425,933	\$24,310,146	\$27,041,299	\$29,173,435
Charges for Service - UPD	3,440,406	3,803,868	3,363,008	5,333,231	5,123,384	5,499,109	6,307,945
Miscellaneous - City	646,852	439,966	373,528	628,256	763,096	452,000	452,000
Miscellaneous - UPD	220,498	216,087	129,138	224,306	192,676	230,000	230,000
<b>Total Water/Wastewater</b>	<b>\$23,991,196</b>	<b>\$25,118,043</b>	<b>\$24,950,754</b>	<b>\$30,611,726</b>	<b>\$30,389,302</b>	<b>\$33,222,408</b>	<b>\$36,163,380</b>
<b>Stormwater</b>							
Charges for Stormwater	\$7,216,120	\$7,164,665	\$7,343,810	\$10,610,941	\$688,244	\$10,554,557	\$10,625,340
Miscellaneous	42,701	31,931	145,722	282,583	309,299	185,579	167,021
<b>Total Stormwater</b>	<b>\$7,258,821</b>	<b>\$7,196,596</b>	<b>\$7,489,532</b>	<b>\$10,893,524</b>	<b>\$997,543</b>	<b>\$10,740,136</b>	<b>\$10,792,361</b>
<b>Total Utilities</b>	<b>\$31,250,017</b>	<b>\$32,314,639</b>	<b>\$32,440,286</b>	<b>\$41,505,250</b>	<b>\$31,386,845</b>	<b>\$43,962,544</b>	<b>\$46,955,741</b>

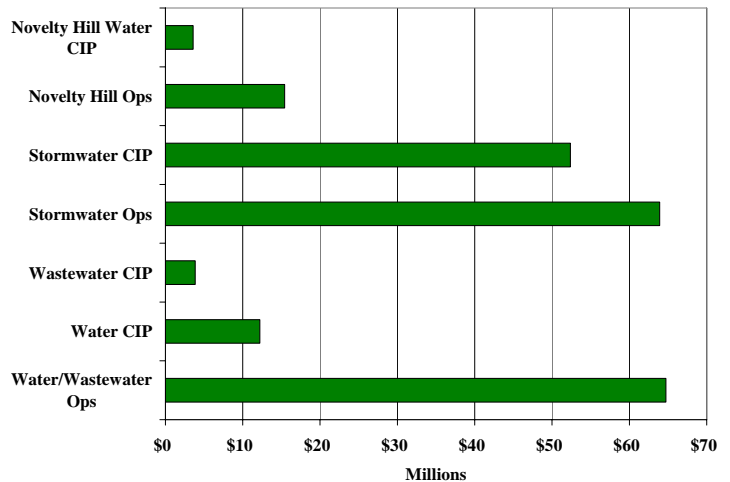
The utility rates have increased in recent years to provide for large capital projects needed to maintain the systems. City policy calls for a rate study to be performed in conjunction with the adoption of each biennial budget. The table above reflects these rate increases.

### *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 and Construction, and Novelty Hill Service Area (UPD) Operations, UPD Water Construction and UPD Wastewater Construction.

The total budget for all eight funds equals \$220 million (including ending fund balance and transfers) with \$144 million dedicated to operations and \$76 million

### Utility Expenditures





earmarked for construction. Included in the Stormwater Construction Fund is \$33.7 million in expenditures for the Downtown Stormwater project (see CIP section for more detail).

### CHANGES IN AUTHORIZED FTES

The net change in total authorized FTEs in the 2009-2010 Budget compared to the last biennium is 7.47. A detailed list of FTE changes is below.

Department	Division	Position	FTE	Comments
Executive	Communications	Communications Manager	-1.00	Position Eliminated
		Marketing Coordinator	-1.00	Position Eliminated
Finance	Risk Management	Risk Management Positions	-2.80	Moved to Human Resources
	Financial Planning	Financial Analyst	-1.00	Position Eliminated
	Purchasing	Fixed Asset Technician	0.17	Increased to full time
Fire	Fire Prevention	Admin Assistant	0.30	Increased to full time
Human Resources	Compensation	Compensation Analyst	1.00	New FTE
	Workers' Comp	Sr. Risk Analyst	1.80	Moved from Finance
		Risk Analyst	1.00	Moved from Finance
Parks	Arts	Art Administrator	0.25	Increased to full time
	Recreation	Program Coordinator	0.375	Increased to full time
		Program Coordinator	0.125	Increased to full time
	Special Events	Program Coordinator	1.00	New FTE
Planning	Development Review	Permit Technician	0.25	Increased to full time
		Sr. Planner	1.00	Limited duration for two years
		Planner	1.00	Limited duration for one year
		Planner	1.00	Limited duration for one year
		Building Inspector	1.00	Limited duration for two years
Public Works	Facilities Maintenance	Facilities Technician	2.00	New FTE
	Solid Waste	Litter Pick-up	1.00	Moved from Natural Resources
	Natural Resources	Litter Pick-up	-1.00	Moved to Solid Waste/Recycling
	Water/Wastewater	Maintenance Tech	1.00	New FTE
<b>Total</b>			<b>7.47</b>	



# CITYWIDE BUDGET SUMMARY

## 2009-2010 OPERATING BUDGET

### CITY OF REDMOND

Fund Number	Fund	2005-2006 Budget	2007-2008 Budget	2009-2010 Budget	Budget to Budget Difference	Percent Change
<b>001</b>	<b>GENERAL FUND</b>	<b>\$114,197,324</b>	<b>\$134,892,291</b>	<b>\$156,626,453</b>	<b>\$21,734,162</b>	<b>16.1%</b>
<b>SPECIAL REVENUE FUNDS</b>						
110	Recreation Activity	\$3,250,276	\$4,294,406	\$4,512,968	\$218,562	5.1%
111	Arts Activity	421,675	603,771	617,427	13,656	2.3%
112	Parks Maintenance & Operations	1,744,902	2,290,288	2,543,709	253,421	11.1%
113	Special Events	637,147	661,948	872,671	210,723	31.8%
115	Microsoft Development	0	6,090,607	3,998,296	(2,092,311)	-34.4%
117	Cable Access	1,229,118	1,471,076	1,626,886	155,810	10.6%
118	Operating Grants	4,423,817	5,266,408	4,370,408	(896,000)	-17.0%
119	Human Services	1,392,856	1,285,338	1,331,581	46,243	3.6%
120	Fire Equipment Reserves	2,638,172	3,952,358	3,472,006	(480,352)	-12.2%
121	Operating Reserves	5,118,991	6,583,636	7,549,857	966,221	14.7%
122	Advanced Life Support (ALS)	9,293,416	10,653,383	11,530,325	876,942	8.2%
124	Aid Car Donation	177,546	163,826	145,482	(18,344)	-11.2%
125	Real Estate Excise Tax (REET)	9,864,924	15,313,407	18,277,479	2,964,072	19.4%
126	Drug Enforcement	79,650	131,897	155,753	23,856	18.1%
127	Capital Equipment Reserve	3,500,162	4,889,605	5,012,160	122,555	2.5%
128	Emergency Dispatch	19,082	0	0	0	0.0%
130	Business Tax	12,078,988	12,325,464	13,843,675	1,518,211	12.3%
131	Hotel/Motel Tax	619,193	809,719	884,184	74,465	9.2%
135	Fire Levy	0	2,285,797	5,962,110	3,676,313	160.8%
136	Police Levy	0	2,499,055	5,779,260	3,280,205	131.3%
137	Parks Levy	0	319,000	648,102	329,102	103.2%
140	Solid Waste/Recycling	1,441,708	1,509,982	1,411,041	(98,941)	-6.6%
<b>Subtotal - Special Revenue Funds</b>		<b>\$57,931,623</b>	<b>\$83,400,971</b>	<b>\$94,545,380</b>	<b>\$11,144,409</b>	<b>19.2%</b>
<b>DEBT SERVICE FUNDS</b>						
230	Excess Levy	\$4,221,319	\$1,552,198	\$1,528,607	(\$23,591)	-1.5%
233	Bear Creek Parkway	1,645,610	1,961,415	5,300,025	3,338,610	170.2%
<b>Subtotal - Debt Service Funds</b>		<b>\$5,866,929</b>	<b>\$3,513,613</b>	<b>\$6,828,632</b>	<b>\$3,315,019</b>	<b>56.5%</b>
<b>CAPITAL IMPROVEMENT PROGRAM (CIP) FUNDS</b>						
314	Council CIP Contingency	\$3,728,563	\$6,411,001	\$6,896,309	\$485,308	7.6%
315	Parks CIP	12,448,202	11,563,164	38,034,334	26,471,170	228.9%
316	Transportation CIP	45,609,284	89,109,342	75,498,233	(13,611,109)	-15.3%
317	Fire CIP	5,100,507	5,488,043	14,532,815	9,044,772	164.8%
318	Police CIP	4,684,407	3,675,712	3,601,270	(74,442)	-2.0%
319	General Government CIP	13,317,410	13,345,347	14,873,782	1,528,435	11.5%
352	Parks Acquisition & Renovation	947,545	194,396	0	(194,396)	-100.0%
353	1993 G.O. Bond Fund - Fire	81,308	82,596	0	(82,596)	-100.0%
<b>Subtotal - CIP Funds</b>		<b>\$85,917,226</b>	<b>\$129,869,601</b>	<b>\$153,436,743</b>	<b>\$23,567,142</b>	<b>18.1%</b>

<b>Fund Number</b>	<b>Fund</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>2009-2010 Budget</b>	<b>Budget to Budget Difference</b>	<b>Percent Change</b>
<b>ENTERPRISE FUNDS (UTILITIES)</b>						
401	Water/Wastewater Oper & Maint	\$46,566,696	\$63,004,996	\$64,722,510	\$1,717,514	2.7%
402	Novelty Hill Operations & Maint	10,603,103	18,231,119	15,426,973	(2,804,146)	-15.4%
403	Water CIP	20,101,071	19,845,215	12,225,723	(7,619,492)	-38.4%
404	Wastewater CIP		0	3,840,384	3,840,384	0.0%
405	Stormwater Operations & Maint	15,356,520	67,574,045	63,901,580	(3,672,465)	-5.4%
406	Stormwater CIP	12,551,281	51,458,659	52,382,183	923,524	1.8%
407	Novelty Hill Water CIP		6,758,904	3,603,271	(3,155,633)	-46.7%
408	Novelty Hill Wastewater CIP	4,751,166	0	3,997,023	3,997,023	0.0%
<b>Subtotal - Enterprise Funds</b>		<b>\$109,929,837</b>	<b>\$226,872,938</b>	<b>\$220,099,647</b>	<b>(\$6,773,291)</b>	<b>-3.0%</b>
<b>INTERNAL SERVICE FUNDS</b>						
501	Fleet Maintenance	\$9,091,569	\$10,488,526	\$10,526,331	\$37,805	0.4%
510	Insurance Claims & Reserves	2,457,802	2,808,222	3,119,874	311,652	11.1%
511	Medical Self Insurance	15,529,182	17,376,203	22,214,083	4,837,880	27.8%
512	Workers' Compensation	1,636,726	1,913,911	1,723,798	(190,113)	-9.9%
520	Information Technology	5,600,799	6,136,022	10,622,991	4,486,969	73.1%
<b>Subtotal - Internal Service Funds</b>		<b>\$34,316,078</b>	<b>\$38,722,884</b>	<b>\$48,207,077</b>	<b>\$9,484,193</b>	<b>24.5%</b>
<b>Capitalization of City Hall Lease</b>		<b>\$36,089,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>FINAL BUDGET - ALL FUNDS</b>		<b>\$444,248,017</b>	<b>\$617,272,298</b>	<b>\$679,743,932</b>	<b>\$62,471,634</b>	<b>10.1%</b>

# ALL FUND SUMMARY

## 2009-2010 OPERATING BUDGET

### CITY OF REDMOND

	2005-2006 Actual	2007-2008 Budget	2007-2008 Estimated	2009-2010 Budget	Change	Percent Change
<b>REVENUE</b>						
Property Tax	\$27,401,182	\$32,071,597	\$31,774,949	\$40,056,659	\$8,281,710	26.1%
Sales Tax	38,629,271	43,137,026	44,834,226	43,660,662	(1,173,564)	-2.6%
Utility Taxes	19,182,445	19,819,406	25,770,837	27,722,276	1,951,439	7.6%
Other Taxes	<u>20,855,100</u>	<u>17,399,861</u>	<u>23,378,465</u>	<u>18,346,719</u>	<u>(5,031,746)</u>	<u>-21.5%</u>
Total Taxes	106,067,998	112,427,890	125,758,477	129,786,316	4,027,839	3.2%
Licenses & Permits	9,965,415	18,775,978	19,796,739	17,274,869	(2,521,870)	-12.7%
Intergovernmental	28,106,693	34,156,368	38,777,807	36,460,223	(2,317,584)	-6.0%
Charges for Services	77,010,757	115,716,015	107,899,302	116,104,365	8,205,063	7.6%
Fines & Forfeits	207,687	1,617,981	1,447,530	1,659,600	212,070	14.7%
Interest	7,007,121	5,859,159	12,767,221	5,660,056	(7,107,165)	-55.7%
Other Revenue	31,201,133	77,843,352	73,183,579	63,664,468	(9,519,111)	-13.0%
Non Revenue	57,504,771	158,662,572	130,401,286	145,784,235	15,382,949	11.8%
<b>TOTAL REVENUE</b>	<u>\$317,071,574</u>	<u>\$525,059,315</u>	<u>\$510,031,941</u>	<u>\$516,394,132</u>	<u>\$10,390,030</u>	<u>2.0%</u>
<b>EXPENDITURES</b>						
Salaries and Wages	\$77,116,966	\$92,557,354	\$90,161,312	\$104,075,838	\$13,914,526	15.4%
Overtime	4,455,568	2,667,832	4,375,500	3,670,057	(705,443)	-16.1%
Supplemental Help	2,142,360	2,695,980	2,554,265	3,144,413	590,148	23.1%
Other Compensation	268,500	337,305	309,250	784,878	475,628	153.8%
Personnel Benefits	33,687,262	45,174,488	42,896,566	54,302,427	11,405,861	26.6%
Supplies	20,037,544	28,873,164	23,179,997	41,721,985	18,541,988	80.0%
Professional Services	20,518,232	16,032,897	13,423,400	16,585,615	3,162,215	23.6%
Communication	1,021,880	1,282,665	1,071,751	1,474,624	402,873	37.6%
Training	375,866	390,738	394,631	629,707	235,076	59.6%
Advertising	0	428,635	520,013	0	(520,013)	-100.0%
Rentals	773,841	310,367	316,639	343,522	26,883	8.5%
Insurance	0	1,452,883	1,494,084	450,500	(1,043,584)	-69.8%
Utilities	4,469,597	4,683,453	5,308,041	5,820,795	512,754	9.7%
Repairs & Maintenance	10,270,527	13,426,516	12,724,147	15,329,077	2,604,930	20.5%
Other Services & Charges	5,130,349	4,433,959	2,893,297	39,876,144	36,982,847	1278.2%
Intergovernmental	53,400,811	96,988,994	55,337,998	68,401,514	13,063,516	23.6%
Capital	0	130,762,318	139,003,892	174,723,810	35,719,918	25.7%
Interfund Payments	16,842,508	26,171,835	23,864,690	28,073,639	4,208,949	17.6%
Debt Service	44,601,982	18,253,781	8,390,691	18,657,828	10,267,137	122.4%
Transfers Out	19,408,894	28,842,099	28,707,407	32,736,666	4,029,259	14.0%
<b>TOTAL EXPENDITURES</b>	<u>\$314,522,687</u>	<u>\$515,767,263</u>	<u>\$456,927,571</u>	<u>\$610,803,039</u>	<u>\$153,875,468</u>	<u>33.7%</u>
<b>NET CHANGES</b>	2,548,887	9,292,052	53,104,370	(94,408,907)	(147,513,277)	-277.8%
<b>FUND BALANCE JANUARY 1</b>	99,499,404	90,108,652	107,523,267	163,011,074	55,488,112	51.6%
<b>FUND BALANCE DECEMBER 31</b>	<u>\$102,048,291</u>	<u>\$99,400,704</u>	<u>\$160,627,637</u>	<u>\$68,602,167</u>	<u>(\$92,025,165)</u>	<u>-57.3%</u>
<b>FULL TIME EQUIVALENTS</b>	585.97	660.76	660.76	668.23	7.47	1.1%



# STAFFING AUTHORIZATIONS

## FULL-TIME EQUIVALENTS (FTEs)

### CITY OF REDMOND

	2005-2006 Budget	2007-2008 Budget	2009-2010 Budget	Budget to Budget Difference
<b>GENERAL FUND</b>				
Executive/Legal	14.75	15.25	13.25	(2.00)
Finance & Information Services	34.80	37.80	36.97	(0.83)
Fire	108.20	116.20	116.50	0.30
Human Resources	8.00	9.63	10.63	1.00
Parks & Recreation	34.65	35.65	36.92	1.27
Planning & Community Development	47.15	47.72	52.31	4.59
Police	110.50	110.50	110.50	0.00
Public Works	55.01	55.78	57.78	2.00
<b>GENERAL FUND TOTALS</b>	<u>413.06</u>	<u>428.52</u>	<u>434.85</u>	<u>6.33</u>
<b>OTHER FUNDS</b>				
Recreation Activity	8.92	9.92	9.92	0.00
Arts Activity	0.52	0.52	1.00	0.48
Parks Maintenance & Operations	6.73	11.83	11.83	0.00
Microsoft Development Fund	0.00	14.00	14.00	0.00
Operating Grants Fund	3.25	3.25	3.25	0.00
Human Services	0.34	0.34	0.00	(0.34)
Advanced Life Support	33.00	33.00	33.00	0.00
Police Levy Fund	0.00	17.00	17.00	0.00
Fire Levy Fund	0.00	18.00	18.00	0.00
Parks Levy Fund	0.00	3.00	3.00	0.00
Solid Waste/Recycling	2.26	2.26	3.26	1.00
Capital Investment Program	13.25	12.85	12.85	0.00
Water/Wastewater Operations & Maintenance	38.78	39.60	40.60	1.00
UPD Operations & Maintenance	5.94	5.94	5.94	0.00
Stormwater Management	29.47	29.77	28.77	(1.00)
Fleet Maintenance	6.66	6.16	6.16	0.00
Insurance Claims & Reserve	2.80	2.80	2.80	0.00
Information Technology	21.00	22.00	22.00	0.00
<b>OTHER FUND TOTALS</b>	<u>172.92</u>	<u>232.24</u>	<u>233.38</u>	<u>1.14</u>
<b>TOTAL ALL FUNDS</b>	<u><u>585.98</u></u>	<u><u>660.76</u></u>	<u><u>668.23</u></u>	<u><u>7.47</u></u>
<b>SUPPLEMENTAL FTEs</b>	36.71	35.53	55.23	19.70

