

June 2007

Dear Citizens of Redmond and Members of the City Council:

For fifteen years I have been honored to serve as Redmond's mayor. While this FY 07-08 budget is significantly different from the proposal I submitted to Council last fall, it does mark the last budget I will manage for this great City, and covers the next two year period that will see a transition to new leadership in 2008 with the next mayoral election. This document reflects our best efforts to represent the Council's actions when it approved this budget on December 19, 2006.

As many of you know from our May 2006 levy election, Redmond has faced significant financial challenges in recent years. Revenues to the City of Redmond have not kept pace with population and especially employment growth, rising inflation and the increasing service demands since 2000. With now more than 50,000 people, Redmond's residential population today is 19% greater than it was in 1995. At 82,000 employees, our employment today is 72% greater than it was for the same period. These increases drive up demand for all City services and for the costly infrastructure improvements that are required, especially to support this level of commercial growth.

Every two years since 1996, the City has conducted a survey asking residents about their satisfaction with basic City-provided services. Consistently, residents have been quite satisfied with their quality of life (86% in 2006) and want the current levels of service to continue. To date, the City has been largely able to maintain acceptable levels of service despite the fact that revenues have not kept up with inflation and growth. It has done so by containing costs in ways that had the least immediate and noticeable impact to residents, even though they were not sustainable over the long term.

For over six years now, the City has contained costs by cutting expenditures, reducing programs and services, cutting staff positions, shifting a portion of health benefit premiums to employees, scaling back overtime and changing what and how services are delivered – but today it has reached a point where any further cuts will have a noticeable impact. We have spent much of the last three years discussing these issues with the Council, culminating with the May 2006 levy election. With the failure of the levy, our challenges remain and will continue to grow over time, exacerbated by continued development in our community, recent sharp rises in inflation and increasing service demands.

It is within this context that I developed my FY 07-08 budget proposal. My focus was to further the vision shared by our community and articulated in our Comprehensive Plan, and to balance that vision and the needs of our growing City with our fiscal reality. The biennial budget is simply the tool that implements the plan. In doing so, my efforts were guided by (1) the biennial citizen survey, a statistically valid sampling of our residents' priorities and needs, and (2) the budget policy document approved by the City Council in July 2006, which refines the six-year long range financial strategy work completed earlier. In developing my proposal, these two

factors were significant influences on my strategic approach. In a nutshell, my proposal intended to provide a balanced and constructive solution to meeting the City's critical and immediate needs and advance a fairer distribution of the costs for city services, while also putting forward a supplemental package to address the future needs of our community.

While the City Council chose a different path, I believe it is important to explain my strategic approach for future mayors and councils, whom I fear will have an even more difficult job ahead in providing and funding public services for our great City. With that in mind, the major elements of my proposal are summarized briefly below.

Mayor's Proposed Strategic Approach for FY 07-08: Today and in the Future

Within the base general fund budget for the next two years, my proposal sought to address critical and immediate needs in General Fund services. It proposed a balance between operations and the capital improvement program, consistent with what we heard from our citizens about prioritizing city services over capital with our limited General Fund dollars. This approach was driven by the pressing need to (1) close an existing gap of \$2.8 million without reliance on one-time funds, as was the case with the FY 05-06 budget decision by the Council, (2) commit financial resources to keep fire stations open and to support police operations, and (3) mitigate city risk exposures, comply with mandates and ensure business continuity.

My budget also proposed to use bond financing to move downtown forward sooner than existing revenues would allow. Issuance of bonds was proposed for Bear Creek Parkway, and water/sewer and stormwater infrastructure improvements. Commensurate rate increases would be required in the utilities to maintain operations and support this debt.

For the future, my proposal outlined a roadmap for other actions the City can take to advance its vision. Specifically, the budget included supplemental packages to (1) provide additional support for public safety and parks maintenance over and above the aforementioned base budget levels, (2) fast track the Microsoft development in Overlake (Microsoft is paying the full cost of this effort), (3) support a parks bond measure for property acquisition and development, and (4) recognize and allocate the higher impact fees approved by Council in late August for Transportation, Fire and Parks.

Based on my fifteen years of experience as your mayor, my proposal reflected a budget that serves our most pressing community needs while also looking to the future, as responsible leaders must do. I gave thoughtful consideration and weight to what our citizens told us in the survey, and to the Council's budget policy work as well. Where there was differing guidance on issues that are important to the Council, I listened first to the voices of the community, as I have always tried to do throughout the years of my administration to advance the "common good".

As noted, the Council chose a different approach, and I will do my job to manage it during this, my last year as your mayor. This approach has necessitated layoffs and cutbacks in hiring, as well as other program and service reductions. It also set the stage for the August 21 levy that the Council will put before the voters for critical public safety and parks needs that were not funded in its adopted FY 07-08 budget.

In Closing

As with so many efforts over my years of service, my proposed budget honored the spirit of our vision of “Together, We Create a Community of Good Neighbors” – a philosophy and approach to government that has been a hallmark of my tenure as your mayor. I am proud of the work we have accomplished together – to provide excellent value to taxpayers, to establish best practices that have been nationally recognized to improve our City’s quality of life, and to advance the interests of this wonderful community we are proud to call home. It has been an honor and a privilege to serve as mayor, and I thank you for the opportunity. As we move forward through this year of transition to a new administration, I encourage your comments, questions and suggestions about these issues and the services we provide. You can contact me by telephone at (425) 556-2101, fax (425) 556-2110 or email at mayor@redmond.gov.

Sincerely,

A handwritten signature in black ink that reads "Rosemarie M. Ives". The signature is written in a cursive, flowing style.

Rosemarie M. Ives
Mayor