



Financial Forecast

2009 – 2014

Presented October 14, 2008
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The Purpose of the Forecast

- Identify, understand, and prepare a plan to deal with long-range financial challenges
- Link the biennial budget to a coherent long-term strategy
- Provide consistent levels of service that maintain the social well being and physical condition of the City ¹
- Improve ability to anticipate and prepare for financial shocks helping to insulate the community from unexpected tax/fee increases and/or service cuts

Source: GFOA Long Term Financial Planning for Local Governments
Notes: 1. Modification from City's financial policies.



Scope of the Forecast

- **Included**
 - General Fund
 - Includes General Fund Transfers
- **Not Included**
 - Utility Funds – Rate Setting Discussion
 - Capital Improvement Program (CIP)
Long-Range Funding

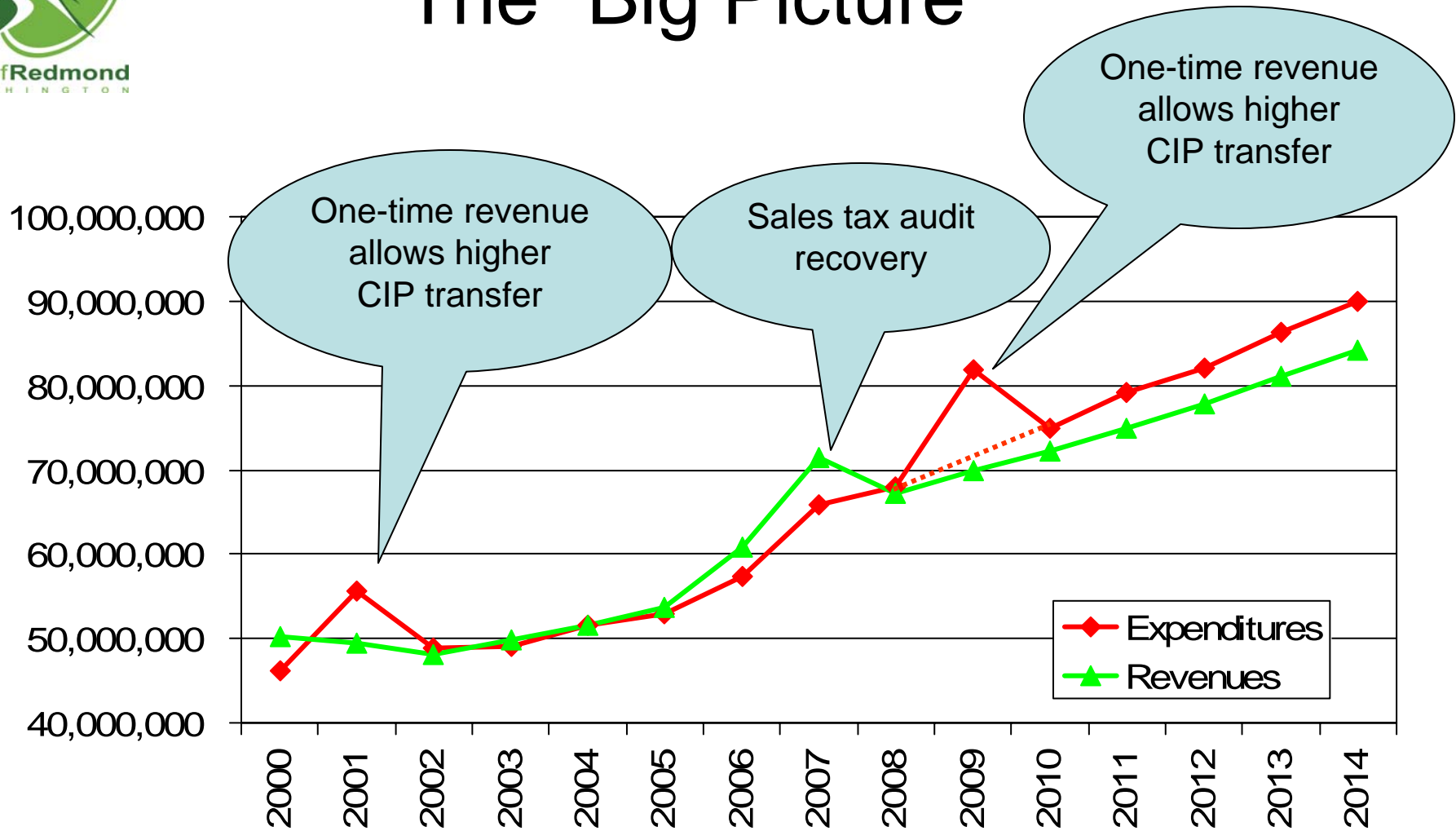


Related Funds

- **General Fund Transfers to Other Funds**
 - Arts Activity Fund (on per capita basis)
 - Special Events (flat \$235,000 per year)
 - Human Services (on per capita basis)
 - Capital Replacement (\$1,000,000 per year)
 - Operating Reserve (to achieve policy target of 8.5% of revenue)
 - CIP Transfer (at least 5% of revenues)
 - Pavement Management (\$300,000 per year)
 - Fire Equipment Reserve (\$261,000 per year)
 - Fleet Maintenance (per internal rate formula)
 - Information Technology (per budget)
 - Reserves (per policy)



The “Big Picture”



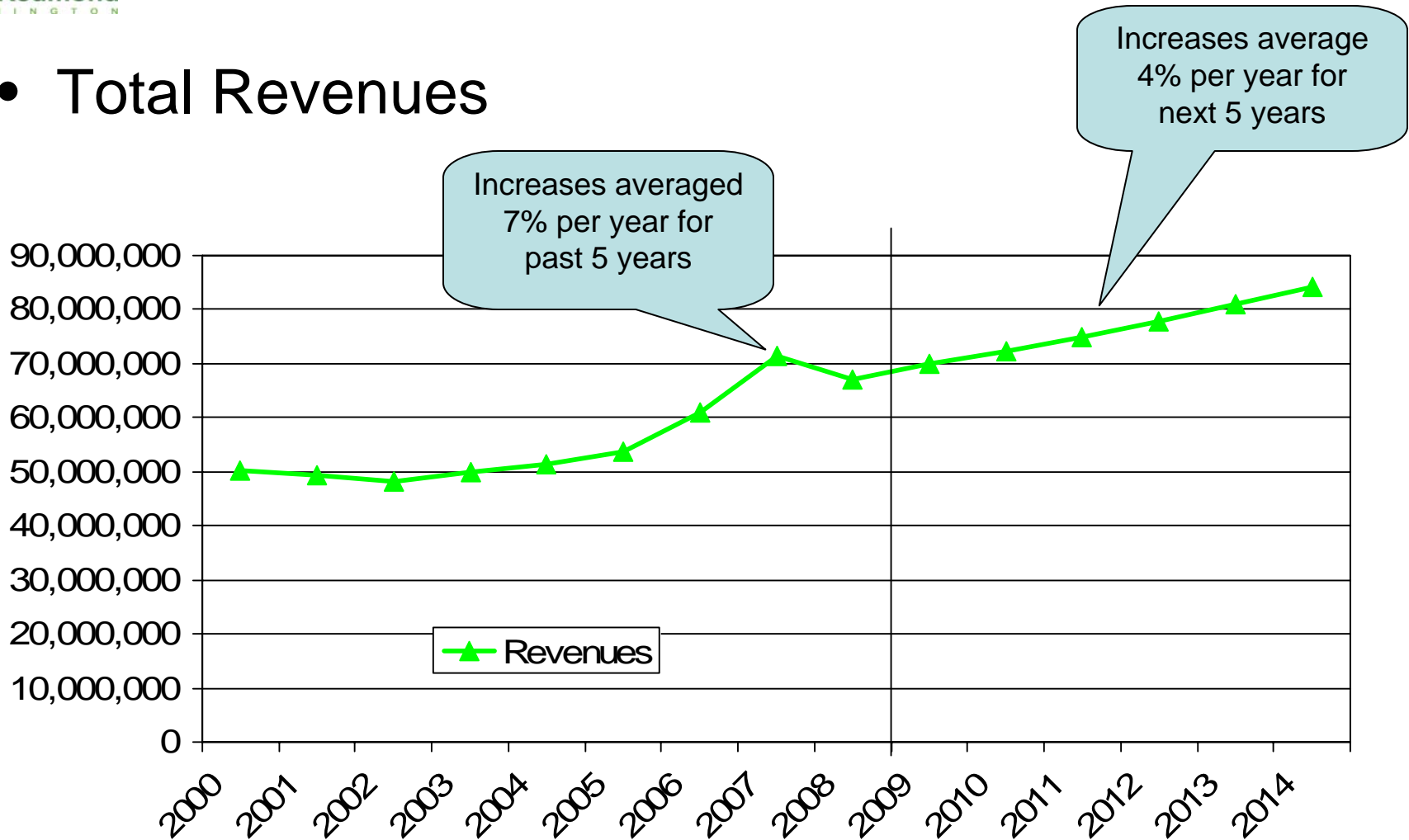
Notes:

Revenues do not include beginning fund balances. Expenditures through 2007 are actual; 2008 are estimates; 2009-2010 are budgeted; and 2011–2014 are forecasted.



Revenue Assumptions

- Total Revenues

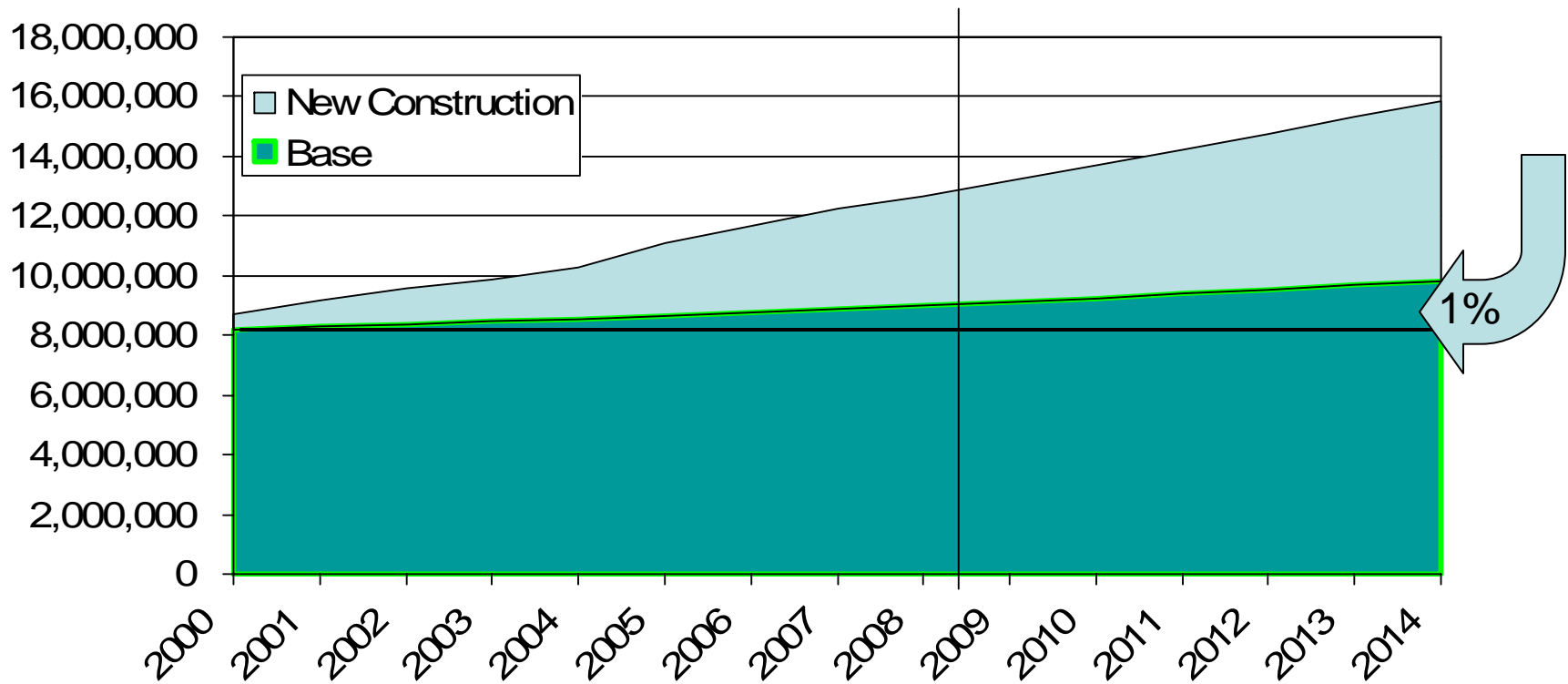


Excludes beginning fund balances.



Revenue Assumptions

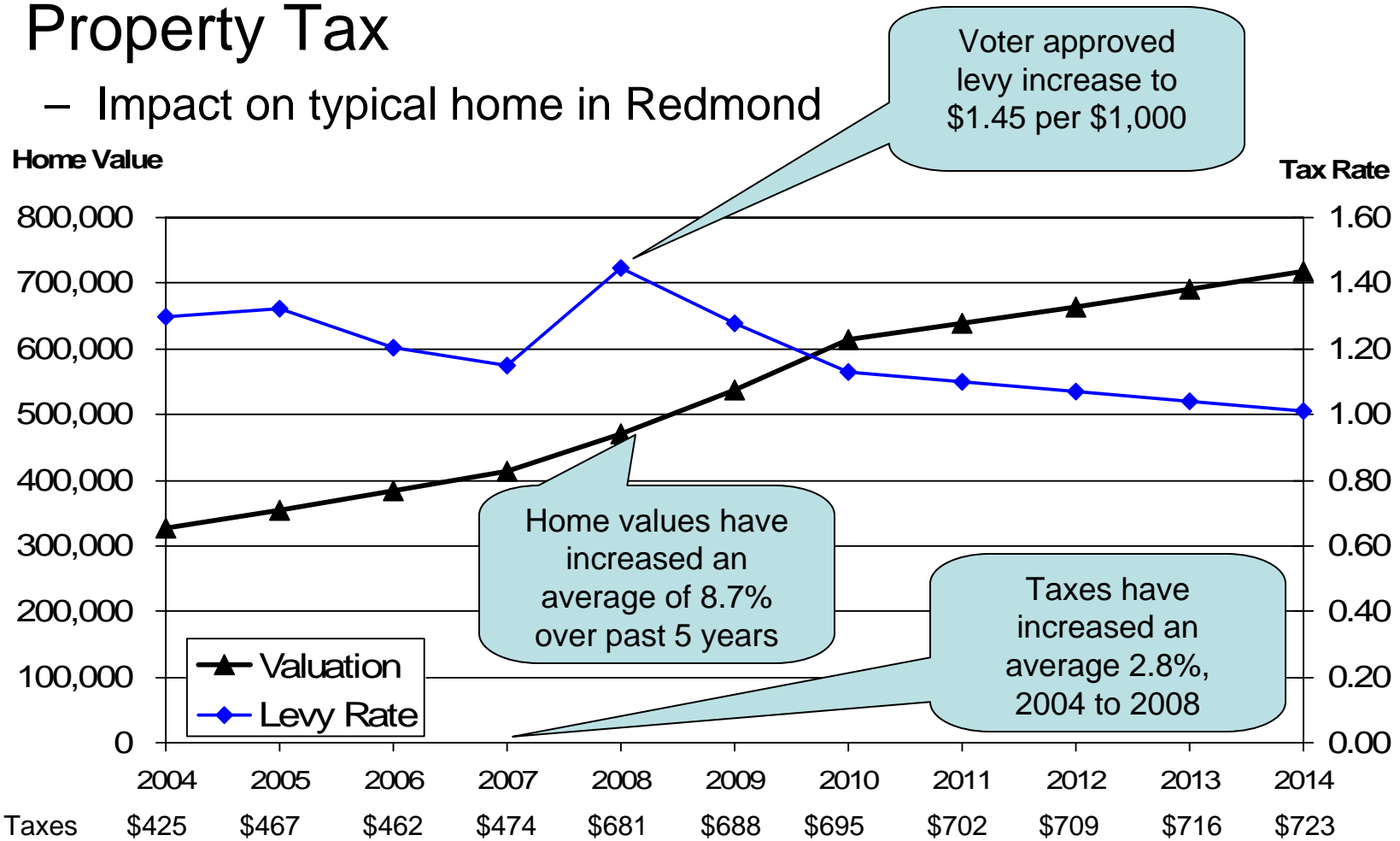
- Property Tax
 - 1% increase plus new construction consistent with historical levels





Revenue Assumptions

- **Property Tax**
 - Impact on typical home in Redmond

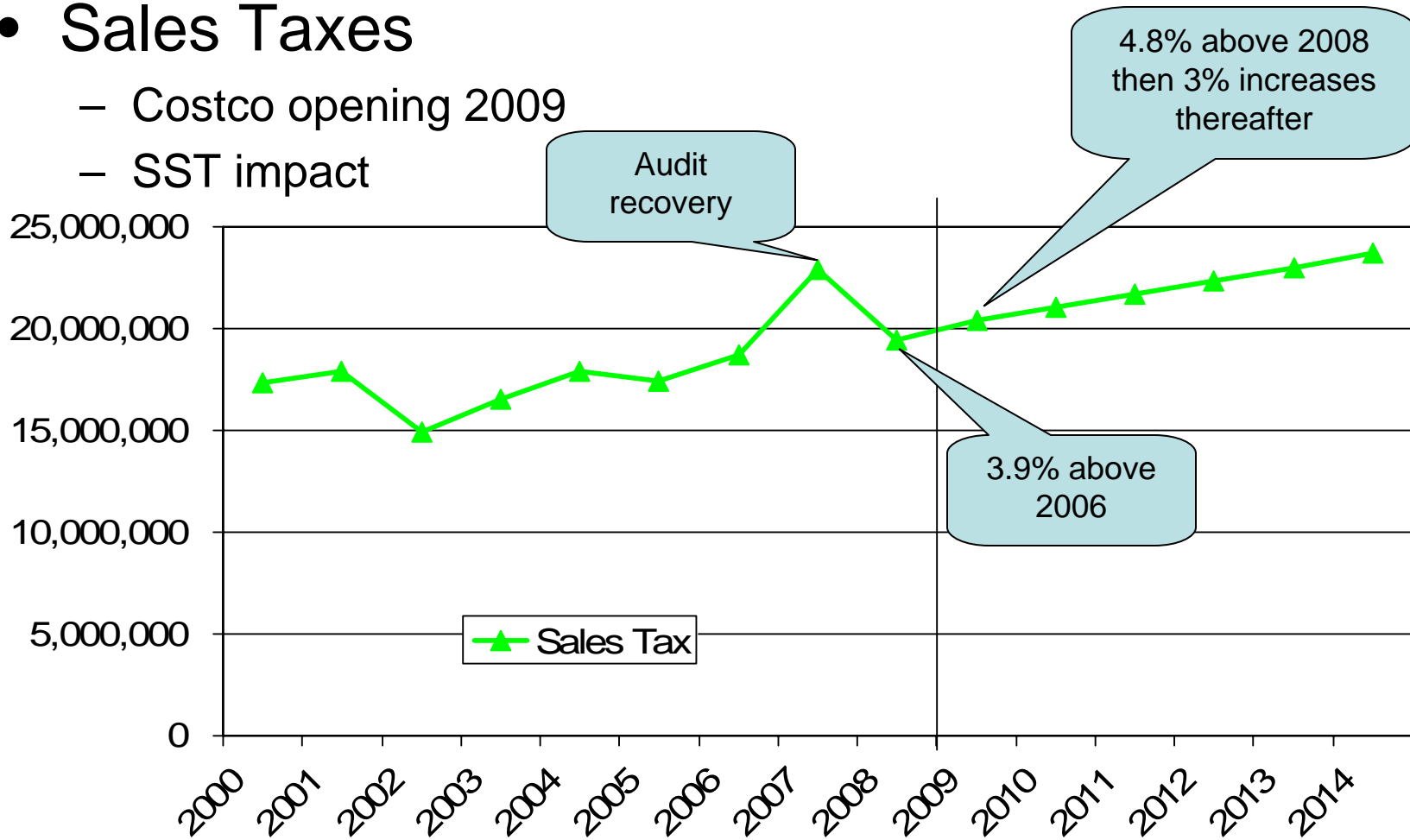




Revenue Assumptions

- Sales Taxes

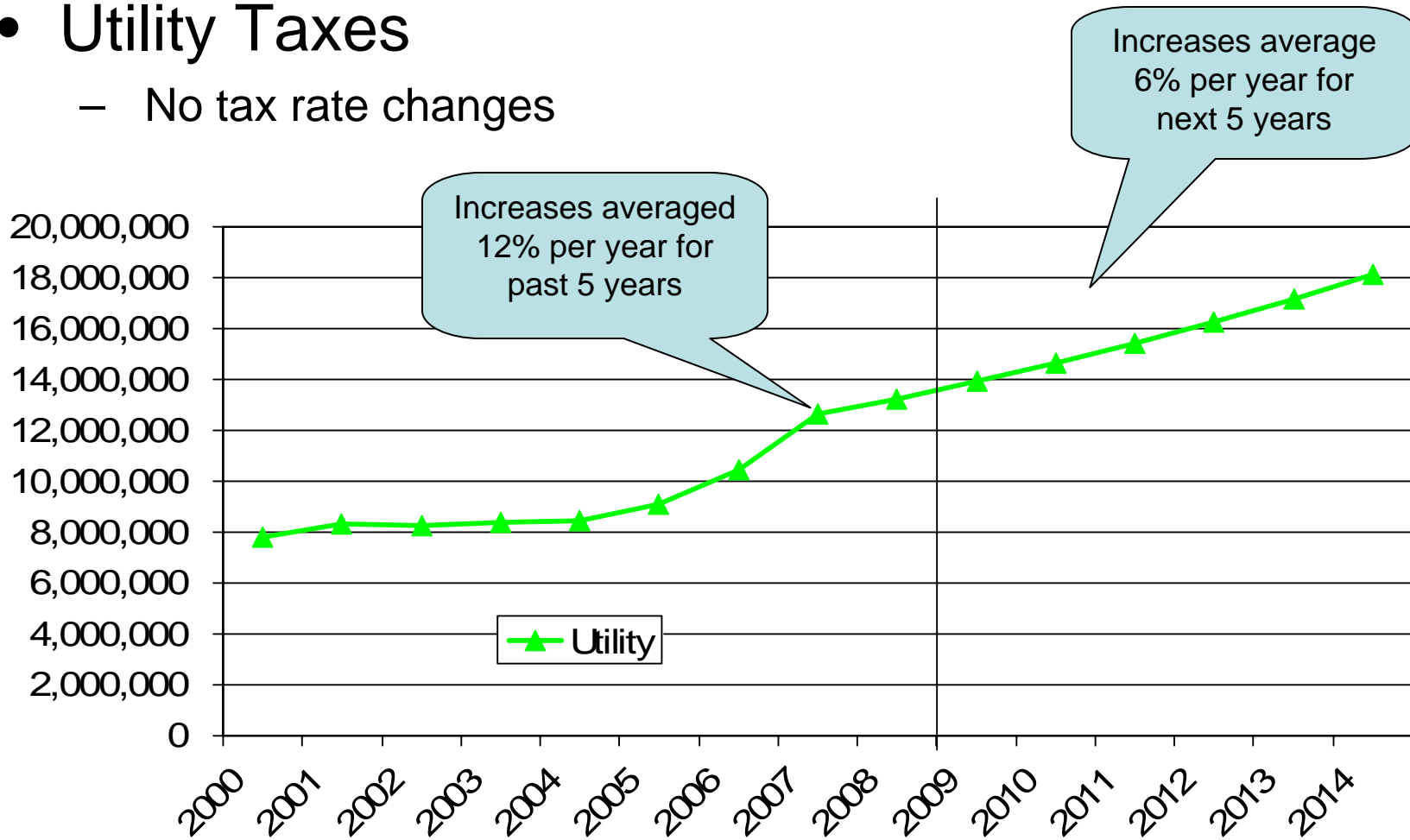
- Costco opening 2009
- SST impact





Revenue Assumptions

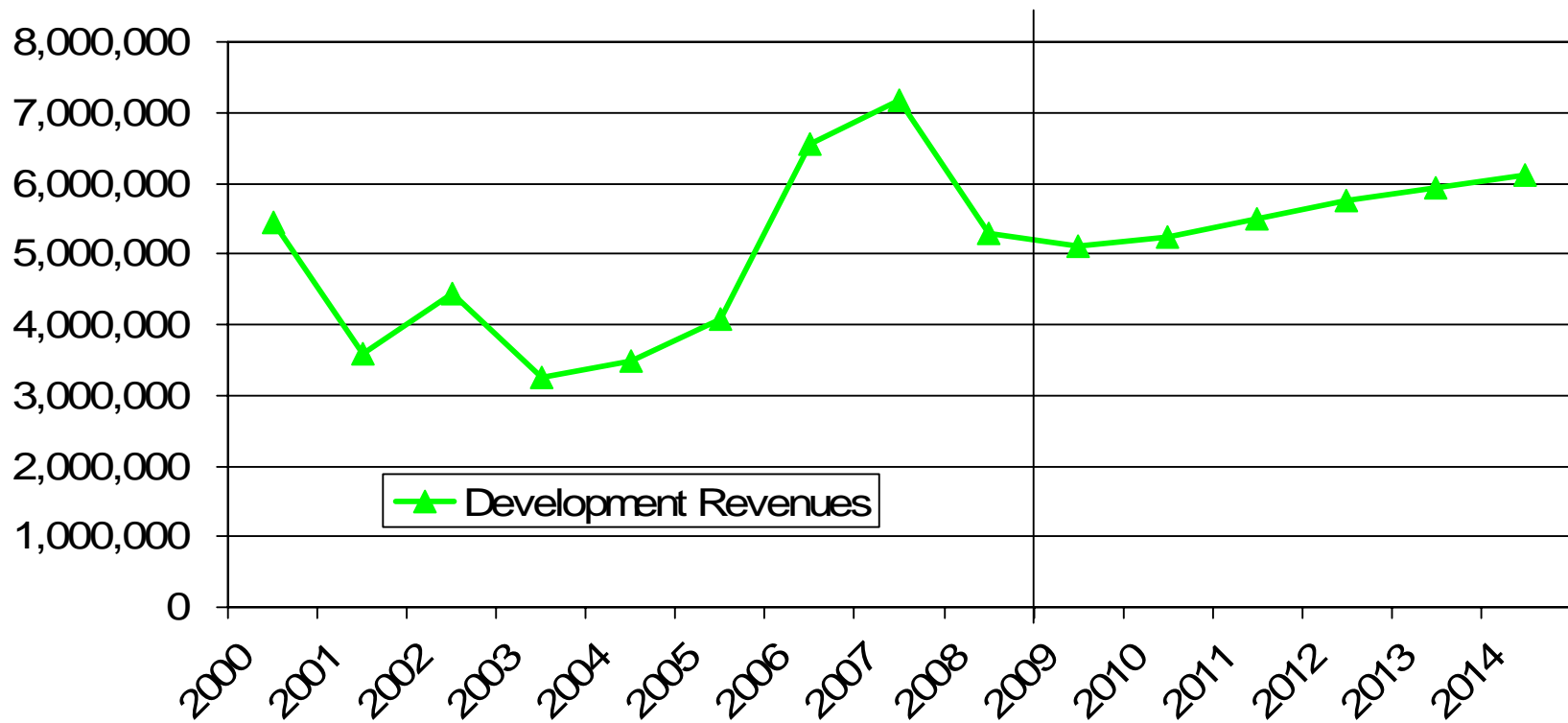
- Utility Taxes
 - No tax rate changes





Revenue Assumptions

- Development Revenues
 - Some slowing of development in 2009 with moderate growth after that





Revenue Summary

- Conservative forecast per council policy
 - Consistent with past council actions

- Some slowing of revenues anticipated from past
 - Development, new construction, sales taxes

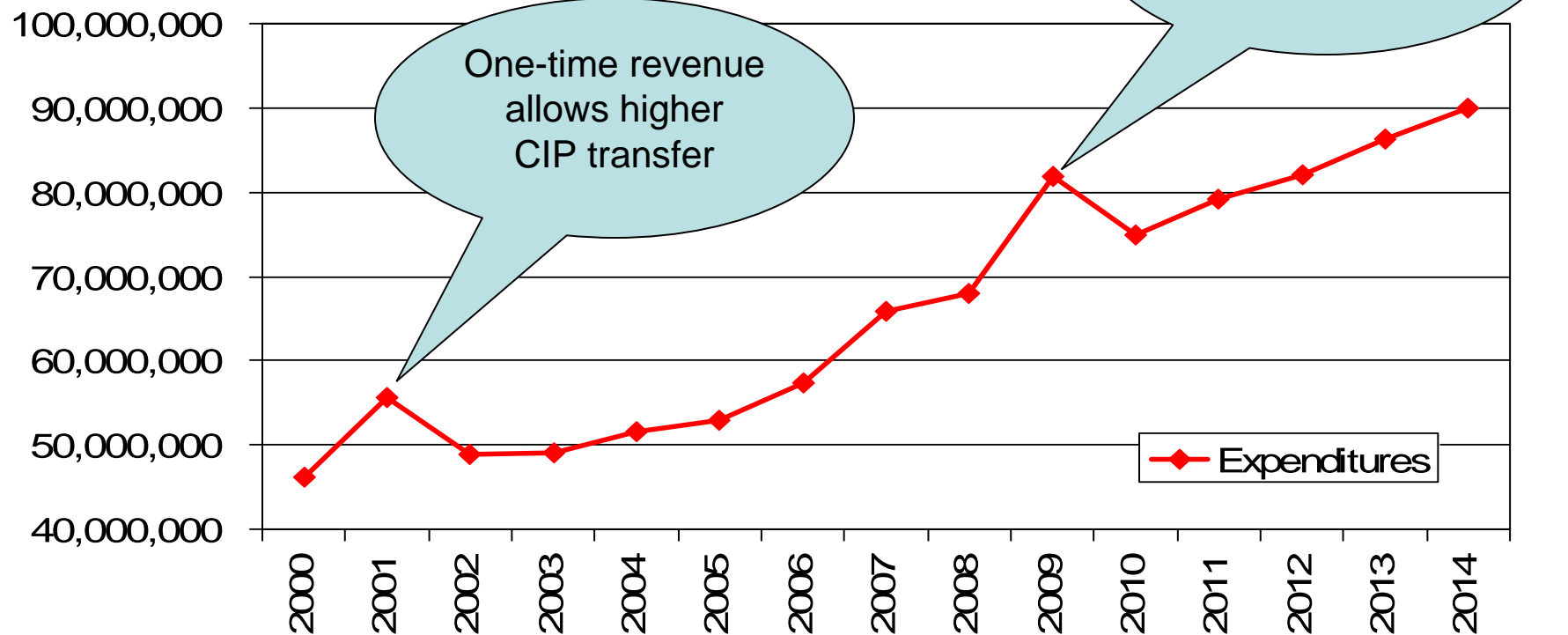
- Continued steady growth - No net reductions

- Challenges
 - Unsettled market
 - Legislative changes



Expenditure Assumptions

- Total



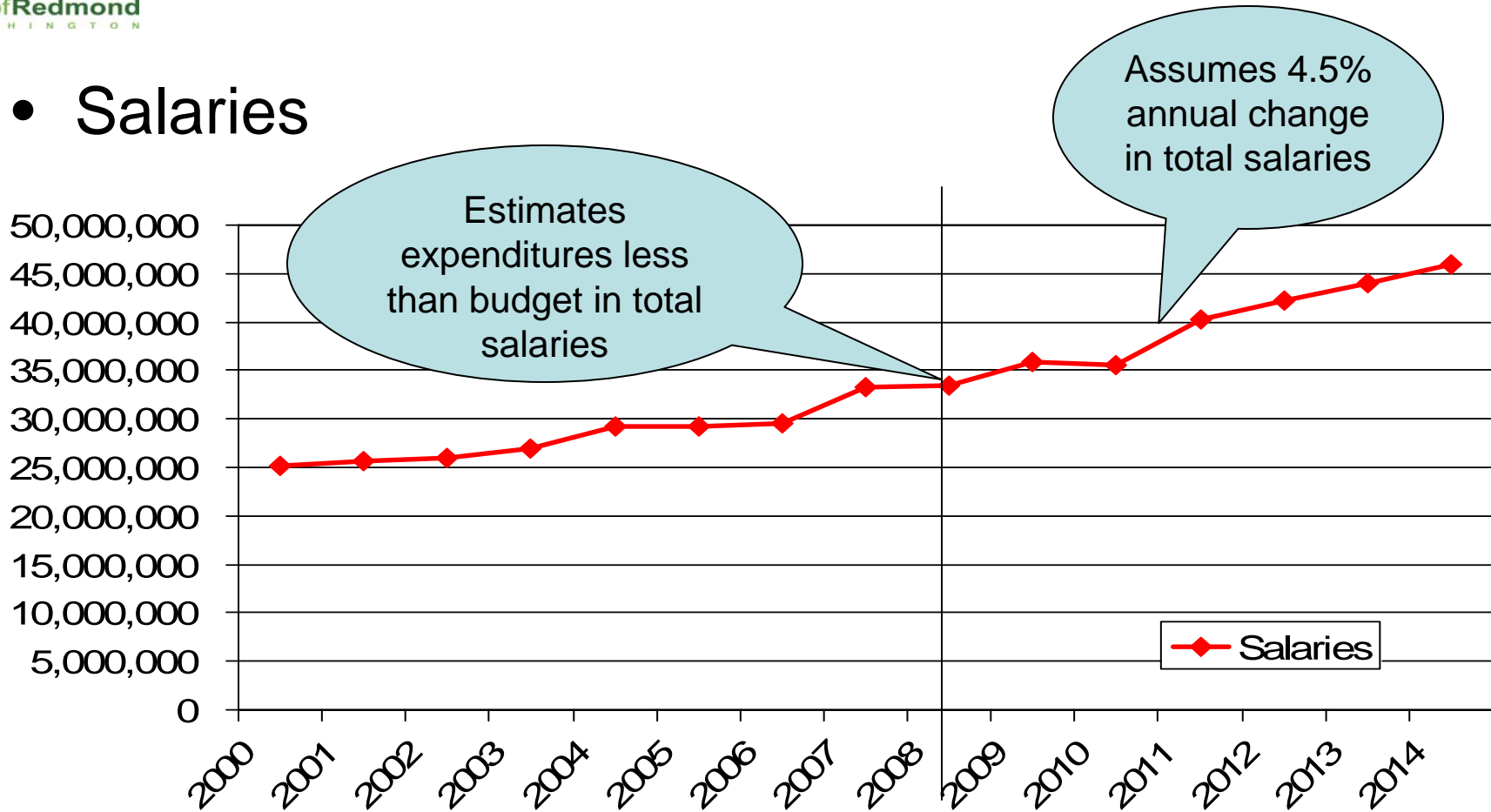
Notes:

Expenditures through 2007 are actual; 2008 are estimates; 2009-2010 are budgeted; and 2011-2014 are forecasted.



Expenditure Assumptions

- Salaries

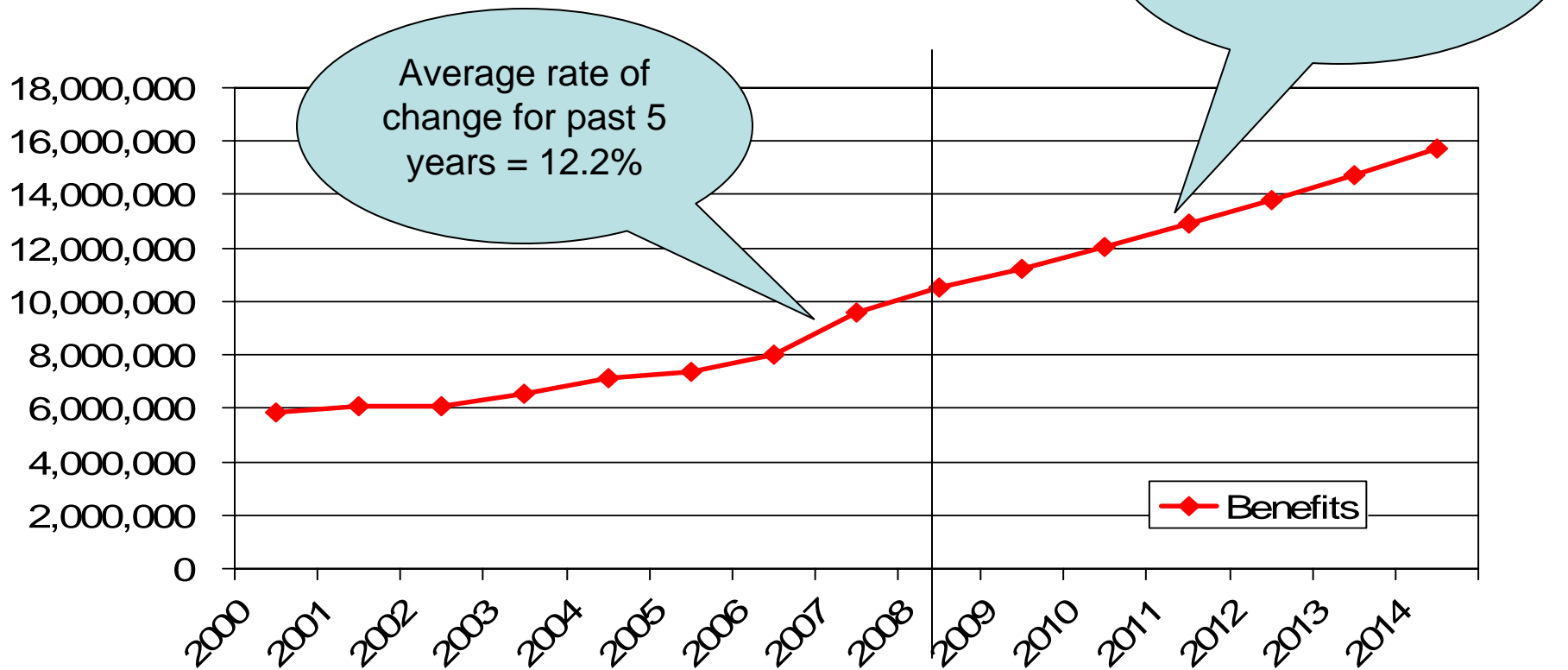


Notes:
Assumes no change in number of employees after 2010.
Assumption includes COLA, merit, step increases and other pays.



Expenditure Assumptions

- Benefits

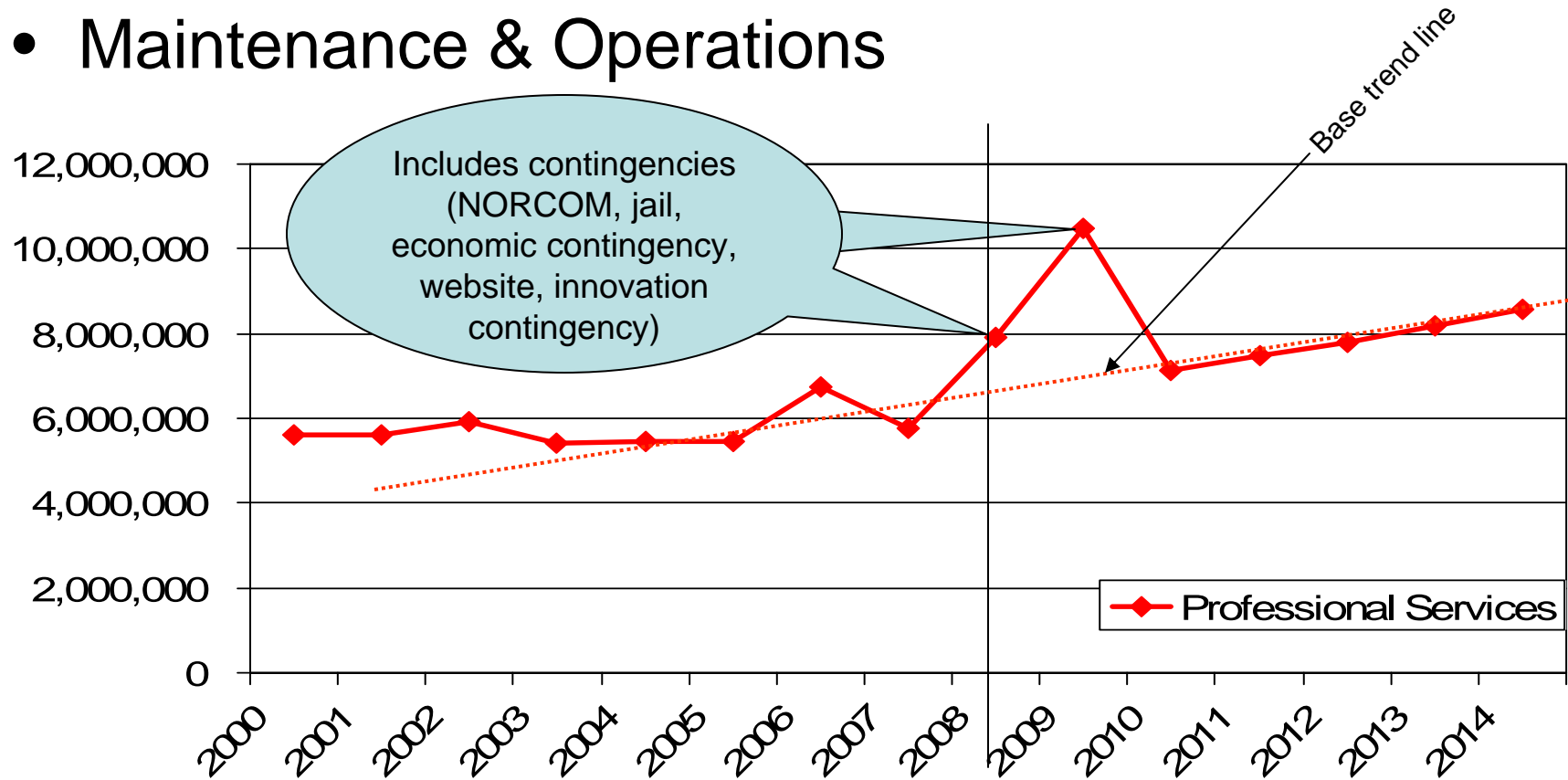


Notes:
Assumes no significant change in rates (retirement, etc.)



Expenditure Assumptions

- Maintenance & Operations

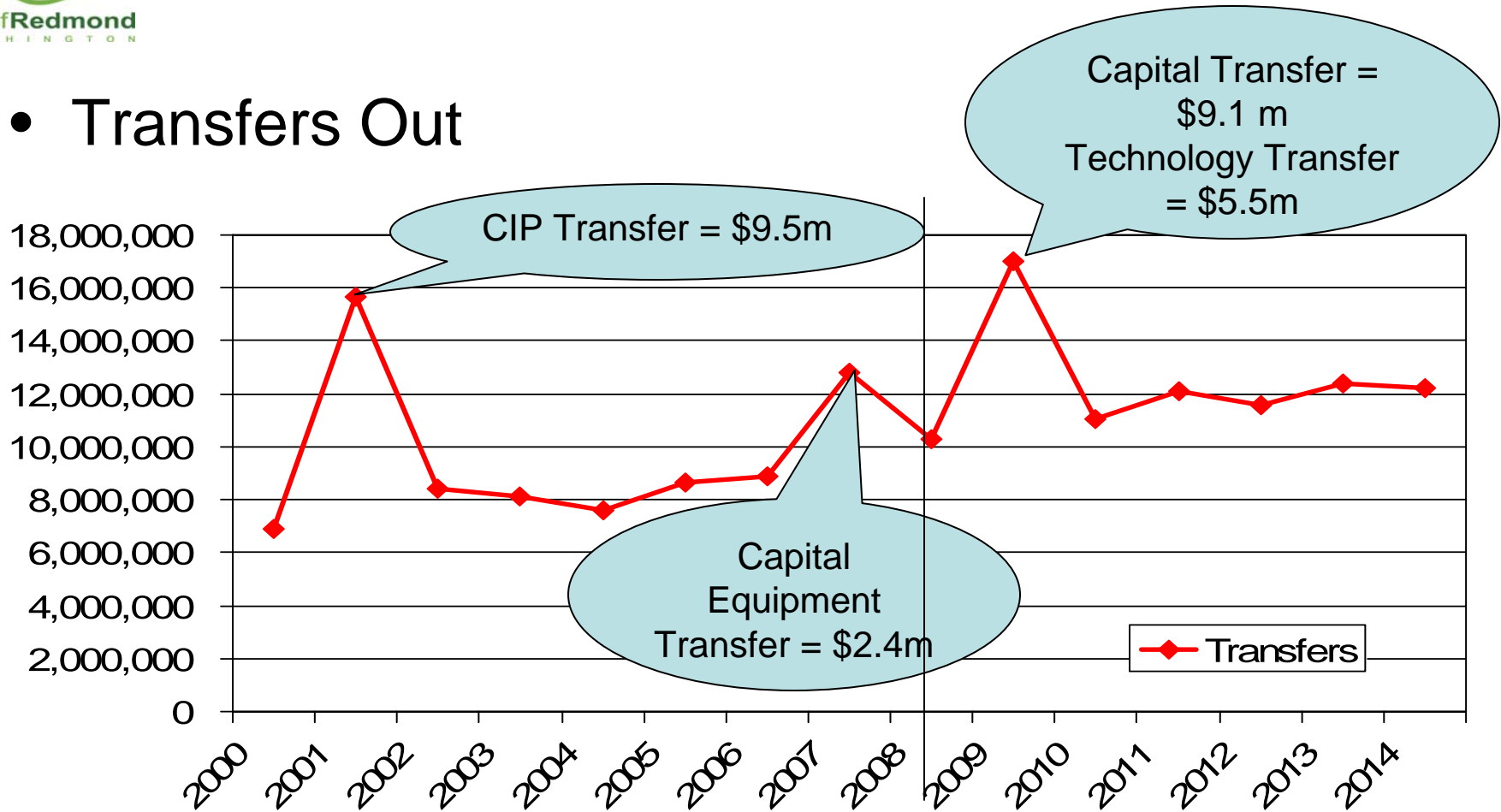


Notes:
Includes, legal, communications, utilities, and contingencies.



Expenditure Assumptions

- Transfers Out



Notes:
 Capital transfer includes 5%, plus specific capital project transfers.
 Technology transfer includes \$3m for plan implementation.



Expenditure Summary

- Consistent with past experiences and future expectations
 - Compensation remains most significant factor
 - Caveat: no change in FTEs
- Maintains support of existing capital investment thresholds
 - Also maintains reserve targets consistent with council policy
- Each biennium budget will be balanced and resets the discussion
- Future challenges
 - Compensation costs grow faster than revenues
 - Operating budget impacts of capital projects
 - Regional projects will impact budgets (NORCOM, jail, courts)



Summary

- Overall –
 - Trend lines diverge slightly
 - No limits were imposed on anticipated trends
 - Regional economic forecasts – stagnation not recession
 - Budgets will be balanced (taking the form of “limits”)
 - Future challenges
 - Unsettled financial markets
 - Potential legislative issues
 - Future discussions
 - Future capital investment strategies
 - Council policy of sales tax on construction transfers
 - Equipment replacement funding methodology
 - Indirect cost allocations