
BUDGET AT A GLANCE

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

BUDGET OVERVIEW

2015-2016 ADOPTED BUDGET

CITY OF REDMOND

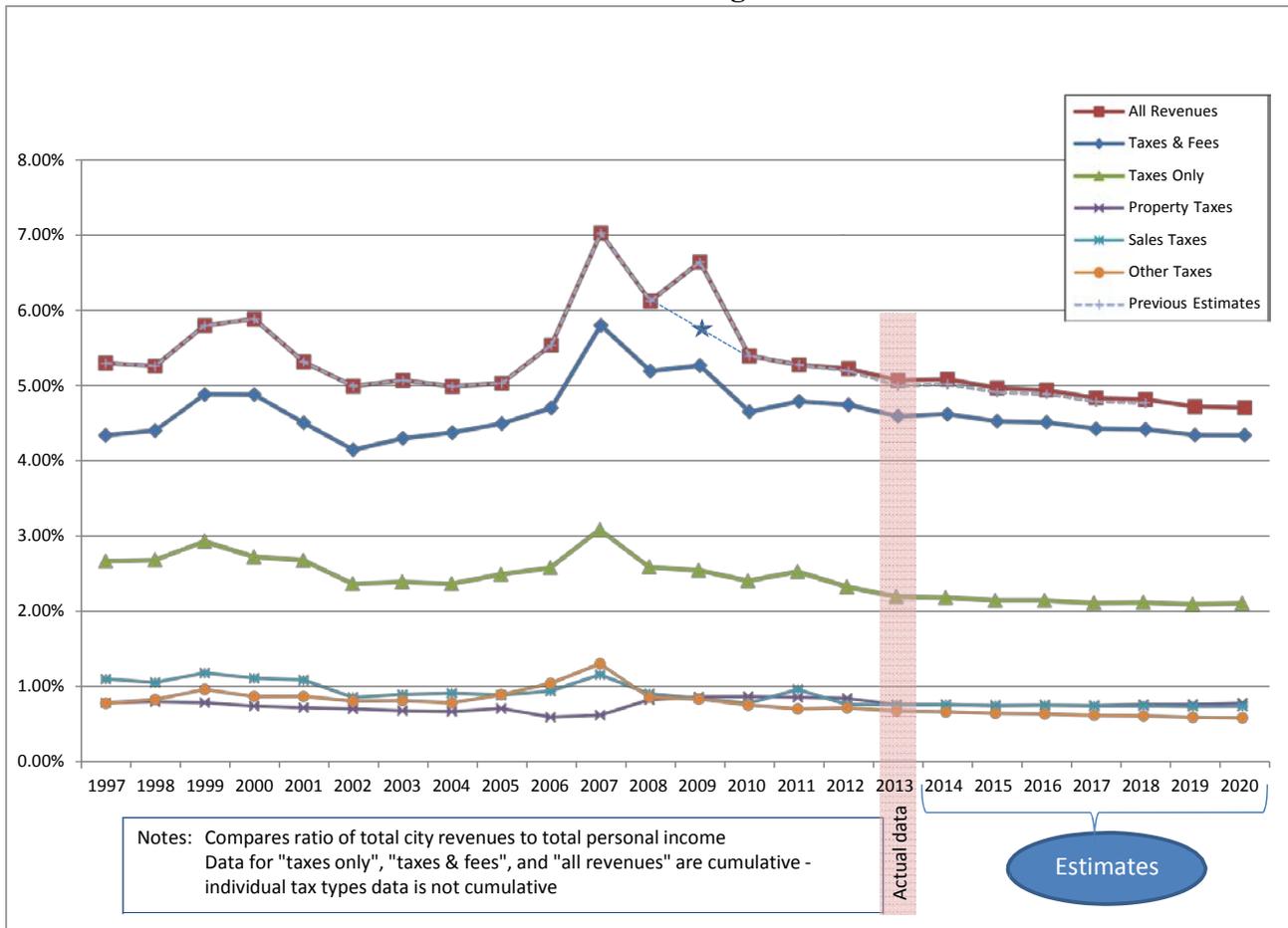
The Budget Overview serves as a review of the recommended 2015-2016 financial plan and includes revenue and expenditure projections over the biennium based on the City’s six-year forecast. This budget continues to use the priorities defined by the Redmond community in 2008 and expands on these concepts 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.

**The Price of Government
City of Redmond, Washington
2015-2016 Budget**

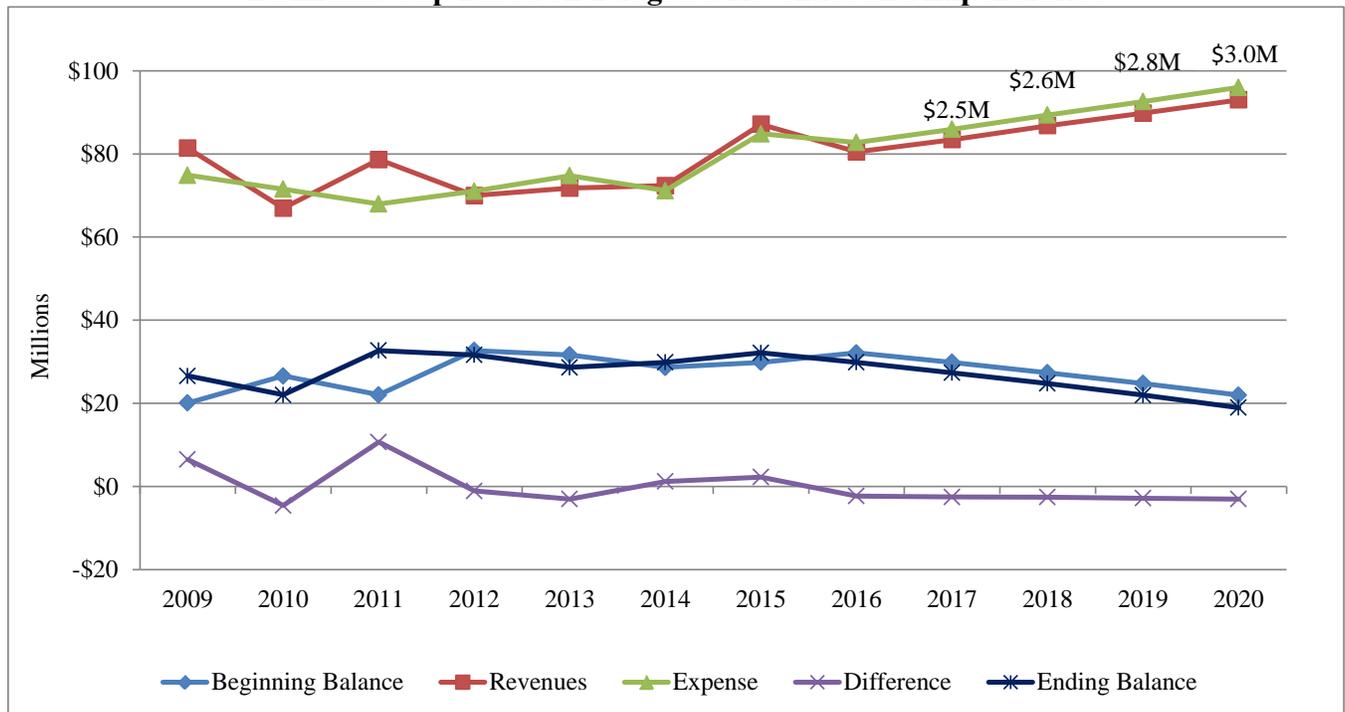


Keeping the Price of Government in mind, this budget continues to conservatively forecast revenues and rely on right-sizing costs, innovation and efficiencies, and matching service expenditures with demand to balance Redmond’s resources. As revenue collections fall below 5%, fewer resources are available to maintain current levels of service. Targeting a price of government between 5% – 5.5% is consistent with the City’s long range financial strategy and will allow Redmond to make needed investments in the Community.

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 2015-2016 forecast has showed modest growth in some revenues such as property, sales and development revenue, whereas utility taxes continue to decline. Although the revenue outlook is better, the City remains cautionary due to potential decreases in state-shared revenues and uncertain impacts on the expenditure side such as retirement costs. The chart below now illustrates an updated long-range finance forecast that shows modest gaps in future budgets.

**City of Redmond 2015-2016 General Fund Budget
Estimated Gap Based on Budgeted Revenues and Expenditures**



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

MAJOR REVENUES & EXPENDITURES

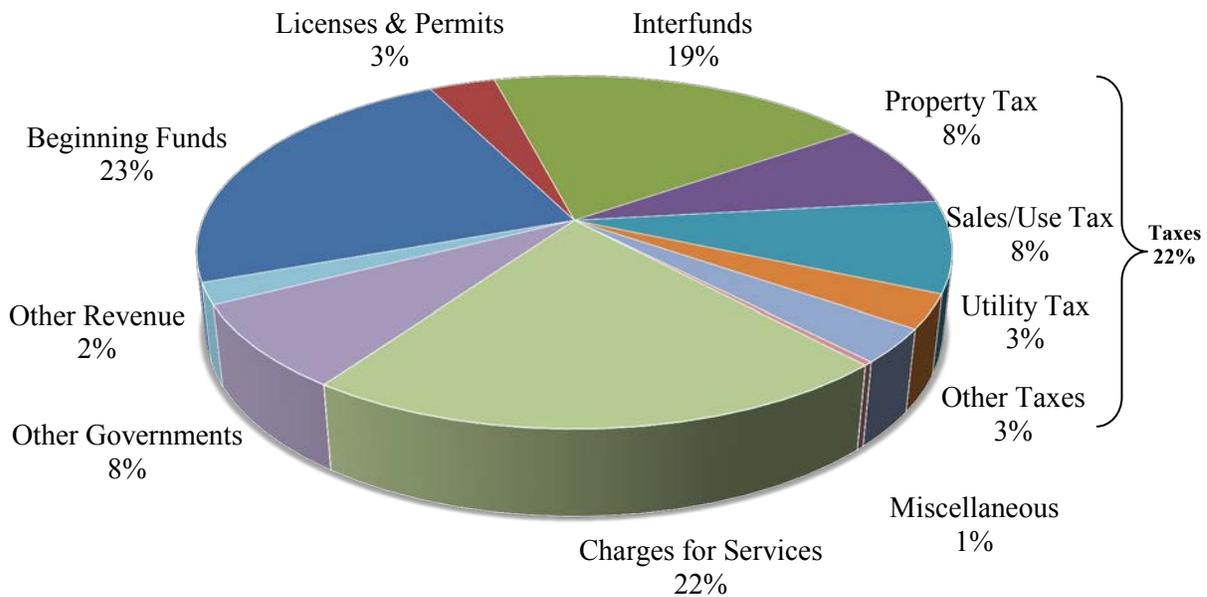
The City of Redmond is a non-charter code city with authority to levy or assess all revenues generally available to all classes of cities and towns in Washington State. The government-wide financial statements in the City’s Annual Financial Report are reported using the economic resources measurement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

Revenue and Expenditure Summary

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

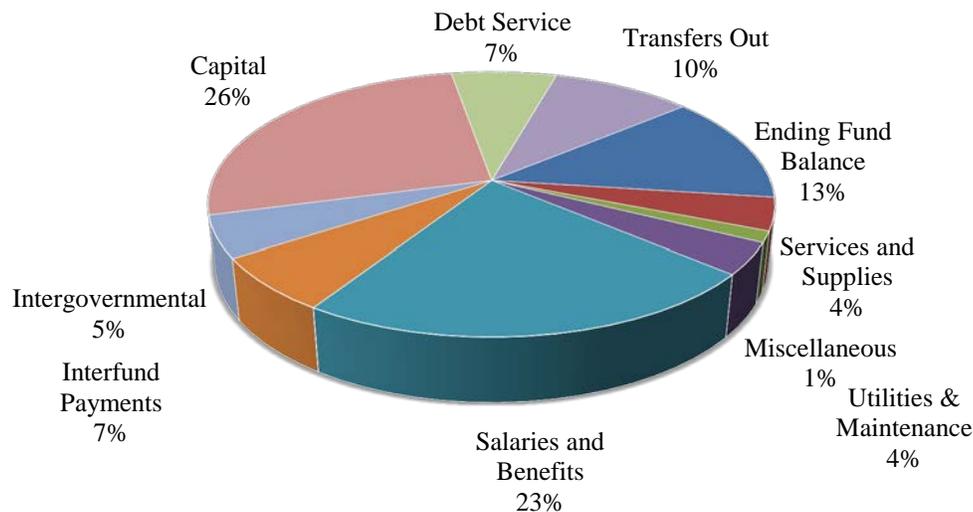
Total revenues over the biennium equal \$618 million, including beginning fund balances and transfers; this is an approximate 6% increase over the 2013-2014 biennium. The budget is artificially inflated due to a series of transfers between the capital maintenance and construction funds, between capital construction funds for various projects and between the General Fund and the capital funds. In addition, the budget includes a 1% property tax increase, (allowed by law) a new 3% cable utility tax, an increase to the business tax to “catch-up” on inflationary impacts since 2007 and water/wastewater utility rate increases as described in the following pages. The components of the City’s 2015-2016 revenue sources are shown in the graph below.

2015-2016 Revenues by Type
All Funds
(\$618 million)



In the 2015-2016 Budget, the General Fund has grown to take into account the increase in 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 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 Capital Investment Program (CIP). (See the Budget by Fund section for a financial summary of sources and uses of City funds.)

2015-2016 Expenditures by Type
All Funds
(\$618 million)



As in most service organizations, salary and benefits make up a majority of budgeted costs. The number of full-time equivalent (FTE) employees are expected to increase by 17.98, a combination of converting 5.50 limited duration employees to regular employees who have been providing service to the community for some time, 4.11 employees funded by grants, 0.37 FTE added to part-time employees to make them full-time, five additions to the workforce, primarily focusing on maintenance, 3.00 additional firefighters (via a Technical Amendment) due to the reinstatement of a Fire Station #13 engine at the request of Fire District #34. Offsetting the FTE increase is a reduction of 1.0 FTE due to a planned vacancy in July 2015. The FTE changes by department are shown below.

Department	2015-2016 FTE		Total
	Additions	Reduction	
Executive	3.00		3.00
Finance	0.50		0.50
Fire	4.00		4.00
Human Resources	0.04		0.04
Parks	0.33		0.33
Planning	1.00	-1.00	0.00
Police	1.11		1.11
Public Works	8.00		8.00
Total	17.98	-1.00	16.98

Total FTE variance between the 2013-2014 and 2015-2016 Budget is different on Staffing Authorizations as some limited duration FTEs were already present during 2013-2014.

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

- Eliminating a majority of new programs requested;
- Formalizing efficiencies in current operations, charging additional staff time to the capital investment program (CIP) and utilizing capacity in the City’s public safety and parks levy funds;
- Increasing maintenance to preserve Redmond’s capital investments to address infrastructure concerns that were expressed in the City’s community survey; and
- Assessing the use of fund balances and other one-time funds to continue making investments in technology, to maintain reserves and contingencies and planning for Redmond’s future.

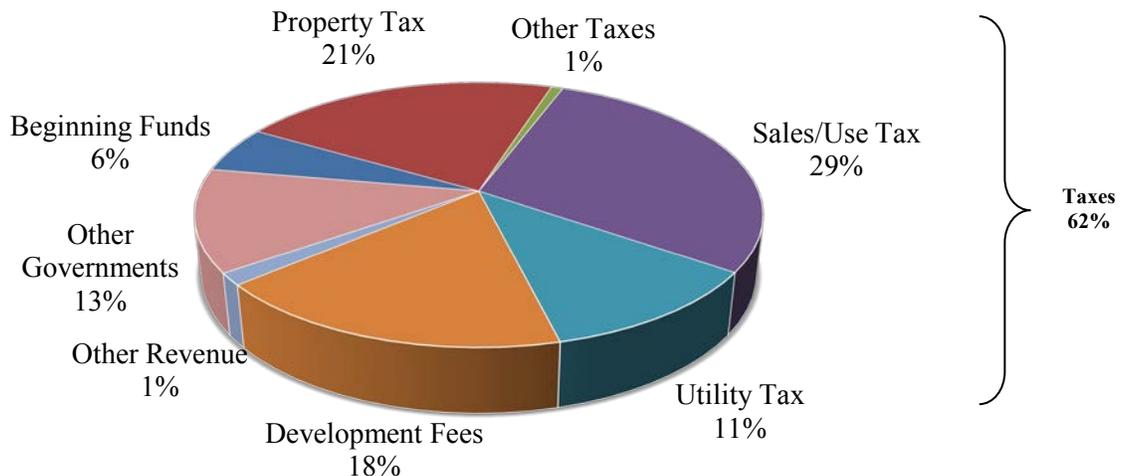
Each offer outlines proposed scalability and the recommended changes that appear in the budget.

General Fund Revenues

General Fund revenues are forecasted to grow modestly from \$149.2 million anticipated in 2013-2014 Budget to an estimated \$158.1 million in 2015-2016, a change of 6% excluding beginning fund balance. Current projections forecast the 2015-2016 beginning fund balance to be approximately \$9.45 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 million.

2015-2016 General Fund Revenue by Type

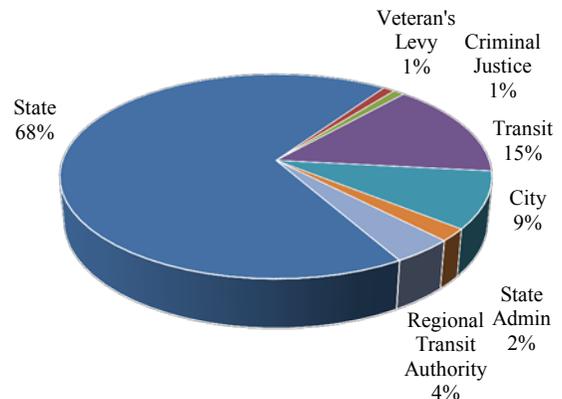
*The General Fund supports basic operations of the City (Police, Fire, Public Works, Parks & Recreation, Planning, Human Resources, Finance & Information Services and Administration)
(\$167.6 million)*



Distribution of Sales Tax

Sales Tax

Sales tax represents 29% or \$48.2 million of the City's General Fund, making it the Fund's largest revenue source. The overall sales tax rate for Redmond totals 9.5% of which .85% is distributed to the City for general government purposes and 0.01% for criminal justice programs. The majority of the sales tax collected in Redmond is distributed to other jurisdictions. Sales tax is projected to grow by 6% annually in 2015 and 2016 compared to forecasted estimates in the 2013-2014 biennium.



Sales Tax	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
(thousands)	17,896	17,681	23,484	19,271	21,042	22,026	23,392	24,839
% Change	-6.1%	-1.2%	32.8%	-17.9%	9.0%	4.6%	6.2%	6.0%

Note: The City received a sales tax refund in 2011 which affects the trend illustrated in the table above.

Property Tax

Redmond currently receives approximately \$1.49 per \$1,000 of assessed valuation from property owners located within the City limits. This equates to \$35.8 million over the 2015-2016 biennium and assumes a Council approved 1% increase. Detailed below are historical collections of property taxes in Redmond. The additional amounts in excess of the 1% allowed by state legislature are attributable to revenues from new construction, annexations and uncollected taxes from previous years.

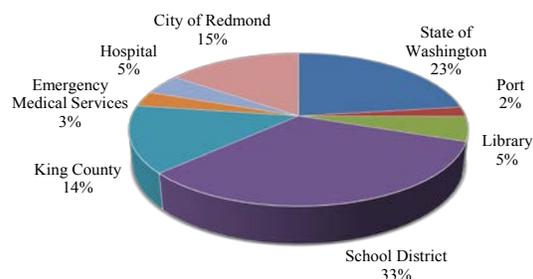
Historical Redmond Property Tax Collections

Property Tax	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
(thousands)	13,343	14,758	15,726	16,026	15,904	16,811	17,525	18,246
% Change	6.4%	10.6%	6.6%	1.9%	-0.7%	5.7%	4.2%	4.1%

Note: The significant increase in 2010 is due to the addition of almost \$1 billion in assessed value from new construction. The increase on existing properties is 1% consistent with state law.

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

Distribution of Property Tax



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. In 2015, the City imposed a new 3% utility tax on cable television services within the City. Illustrated below are the utility taxes Redmond levies and the amount expected to be collected in 2015 and 2016.

Utility Taxes

(thousands)

Franchise Fees / Utility Taxes	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Admissions Tax	406	481	438	480	504	529	556	584
Cellular	2,270	2,122	1,964	1,930	1,646	1,597	1,549	1,502
Electric Tax	5,958	6,019	6,174	6,141	4,795	4,939	5,087	5,240
Gambling Tax	18	54	34	30	39	29	30	31
Garbage	498	478	476	527	556	564	571	588
Natural Gas Tax	1,460	1,151	1,344	1,224	954	972	991	1,010
Telephone	1,176	1,082	987	1,017	866	840	815	790
Cable Tax	0	0	0	0	0	0	466	466
Other Taxes ¹	15	21	940	1,000	947	22	22	22
Totals	11,801	11,408	12,357	12,349	10,307	9,492	10,087	10,233
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. This practice was suspended in 2014 after a judicial ruling.								

Development Revenue

A development user fee study approved in 2011 enacted a revised fee structure targeting full cost recovery for all development related fees. The forecasted revenue for this biennium assumes a continuation of this policy as well as factors in the development surge currently being experienced by the City.

Development Revenues

(thousands)

Development Related Fees	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Residential Permits	419	654	516	529	791	933	1,070	1,113
Commercial Permits	255	170	402	422	631	701	729	758
Plumbing/Electric ¹	1,613	1,895	2,044	2,727	3,095	3,426	3,637	3,748
Plan Review ²	631	458	636	718	1,070	988	1,028	1,069
Plan Checks	491	263	390	430	296	387	403	419
Totals	3,409	3,440	3,988	4,826	5,883	6,435	6,867	7,107
1. Includes heating/plumbing, building, electrical permits. 2. Includes building inspection/plan reviews.								

Development revenues in the 2015-2016 Budget are projected to grow 7% compared to 2014 estimates and another 3% in 2016. According to the most current forecast, development will continue to grow steadily through the next three years, then moderate during the latter half of the forecast.

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 moderate growth in these revenue sources through the next biennium.

Other General Revenues
(thousands)

Other Revenues	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Licenses/Permits	4,268	3,810	3,747	3,640	3,912	3,958	4,617	4,702
Intergovernmental	7,637	6,942	8,353	8,197	8,380	8,093	8,976	9,107
Fines/Forfeits	1,051	1,036	841	716	440	453	453	453
State Entitlements	2,100	1,886	1,621	1,589	1,386	1,544	1,556	1,567
Miscellaneous ¹	4,225	6,270	4,486	3,822	3,527	3,538	4,202	4,232
Totals	19,281	19,944	19,048	17,964	17,645	17,586	19,804	20,061

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

Broader Economic Context

The broader economy continues to exhibit signs of recovery. The Gross Domestic Product (GDP) has been growing slowly and consumer spending continues to strengthen. Retail activity continues a slow but steady improvement, and in 2013 Redmond experienced a welcomed upsurge (from the lows created by the Great Recession) in construction activity that is predicted to continue through the biennium.

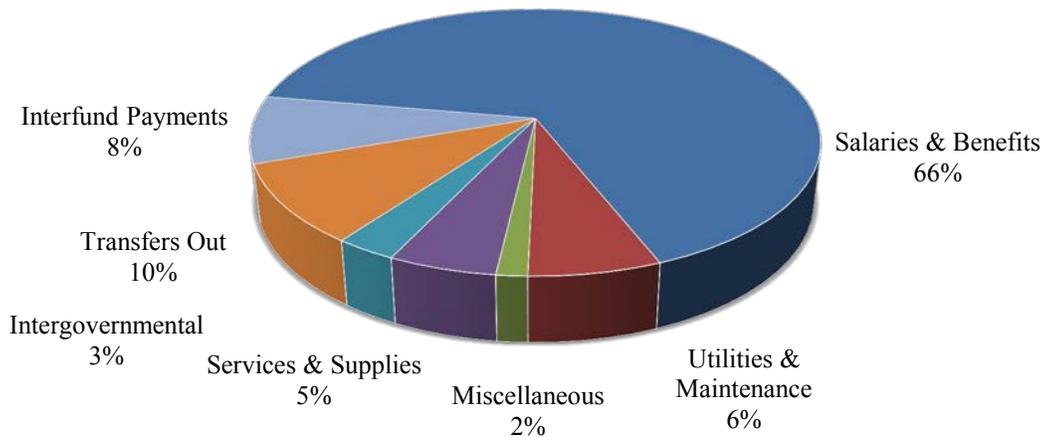
In Redmond, it appears the rate of economic growth continues at a slow, but steady pace. Similar to past budgets, the 2015-2016 plan is built on a conservative forecast with modest growth in sales tax and licenses and permits (which is consistent with the Council’s financial policies on revenues). The budget does include an increase to the business license fee of \$7.90. The business license fee that supports general operations has not been raised since 2007 and the addition takes into account inflationary increases since that time. Based on past trends, utility taxes are showing no growth in the taxes attributable to telephone services, but a modest uptick in other utilities and inclusion of a new utility tax on cable television services. Development revenue is expected to continue to show signs of a surge and then grow moderately during the latter half of the forecast. The changes in budgeted expenditures are outlined below.

General Fund Expenditures

The \$167.6 million budgeted (including fund balance) in the General Fund supports the basic operations of the City, such as Police, Fire, Parks, Planning, Public Works and Administration. The proposed biennial budget supports 654.47 full-time equivalent employees (FTEs) including a net increase of 16.98 FTE from the adjusted 2013-2014 Budget. Transfers to other funds constitute another significant portion of General Fund costs. Transfers are made to support the City’s CIP, Information Technology, Human Services, Arts, and Special Event Activity Funds, as well as maintenance of City Hall.

The City is expected to end the 2013-2014 biennium with approximately \$9.45 million in one-time revenue (this is compared to the \$9.98 million carried into the 2013-2014 Budget). This money is proposed to go towards one-time uses including funding the economic contingency, other salary and benefit contingencies as well as, investments in technology. The budget proposes a new innovations fund of \$200,000 intended to provide resources to be leveraged for improved customer service or cost containment initiatives, a program that proved to be very successful in the 2013-2014 biennium. The budget also supports the historical transfers to the City’s Capital Investment Program as provided for in the Financial Policies.

General Fund Expenditures by Type
 (\$167.6 million excluding fund balance)



Salaries and Benefits

Overall, in a budget to budget comparison, salary and benefit costs are projected to increase by 3.4% over the biennium, excluding the salary and benefit contingency set aside for future labor agreements. The largest cost drivers for salary and benefits in the 2015-2016 biennium are market adjustments, State retirement costs and an increase in Firefighter FTEs via a Technical Amendment due to the reinstatement of an engine at Fire Station #13 at the request of Fire District #34.

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

Transfers Out

Transfers from the General Fund total 10% of the General Fund budget or \$15.6 million. These transfers include Human Services, Arts and Community Events, City Hall maintenance and contributions to the Capital Investment Program (CIP). CIP contributions have decreased by approximately 35% or \$3.8 million from the 2013-2014 Budget mostly due to the elimination of one-time funds 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 in the 2013-2014 biennium.

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 2015-2016 due primarily to professional services required for critical consultant expertise to supplement staff work on LEAN efficiency training, emergency response planning and subarea plans for Overlake Village and Southeast Redmond.

Services and Supplies

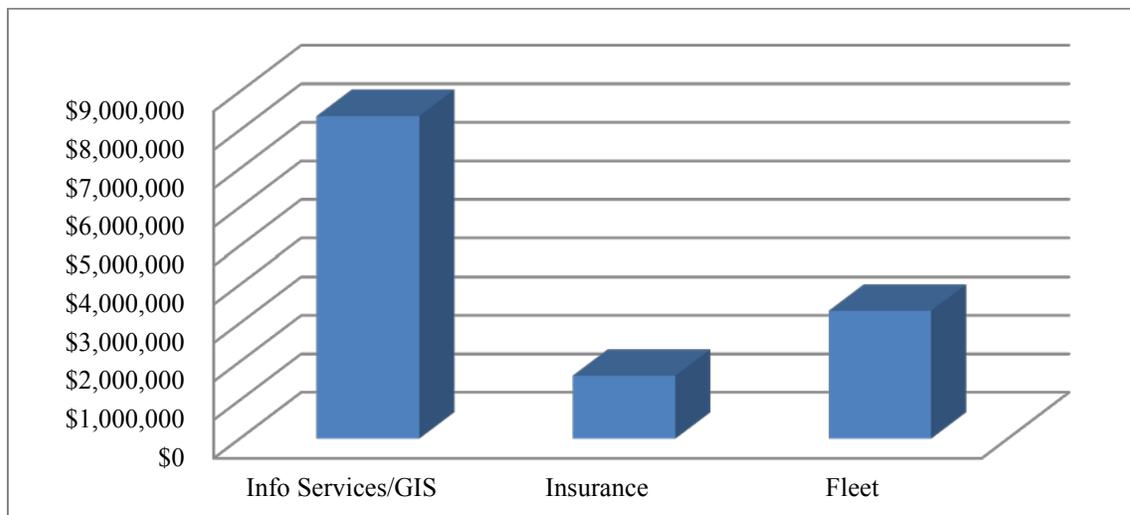
(thousands)

Services and Supplies	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Supplies	1,506	1,796	1,104	1,653	1,529	1,605	1,810	1,798
Legal	305	503	368	367	585	473	428	438
Professional Services	1,431	1,901	1,398	1,217	1,228	1,500	1,986	1,577
Communication	357	401	319	328	500	296	414	427
Rentals	88	99	70	131	68	68	69	70
Totals	3,687	4,700	3,259	3,696	3,910	3,942	4,707	4,310

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%. The majority of the increase is due to fleet fuel transfers, insurance support, and both one-time and ongoing transfers to Information Services to support continuation of technology efforts. It is important to note that additional interfund payments go towards medical and workers’ compensation claims which are a part of the benefits cost category.

Interfund Payments



Intergovernmental

Intergovernmental expenses represent payments to other governments for services, such as fire dispatch, jail and court services. Redmond currently contracts with NORCOM for fire dispatch services and with the City of Issaquah, Snohomish County and the South Correction Entity (SCORE) for jail services. For 2015-2016, fire dispatch costs in the General Fund have increased due to increases in call volume and operational costs of NORCOM.

Intergovernmental Expenditures
(thousands)

Inter-governmental	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Jail	978	893	708	662	657	660	698	698
Fire Dispatch	485	329	480	369	459	472	558	588
Court/Other ¹	1,253	1,200	1,053	970	879	1,149	1,136	1,151
Totals	2,716	2,422	2,241	2,001	1,995	2,281	2,392	2,437
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 below, as well as the historical and projected costs for utilities, repairs and maintenance line items. Included in the 2015-2016 forecast is an additional stormwater charge (\$239,109) toward the City’s impervious surface obligation.

Projected Utility Rate Increases

Utilities	Projected	
	2015	2016
Telephone	2.40%	2.40%
Cable	3.00%	3.00%
Electricity	2.90%	2.90%
Natural Gas	2.90%	2.90%
Garbage	0.80%	0.80%
Stormwater	0.00%	0.00%
Water	3.00%	3.00%
Wastewater	2.00%	2.00%

Utilities/Repairs and Maintenance

(thousands)

Utilities/R&M	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Utilities	2,482	2,519	2,484	3,573	3,649	2,643	3,189	3,344
Repairs & Maintenance	1,288	1,412	1,323	1,104	1,010	977	1,330	1,330
Totals	3,770	3,931	3,807	4,677	4,659	3,620	4,519	4,674

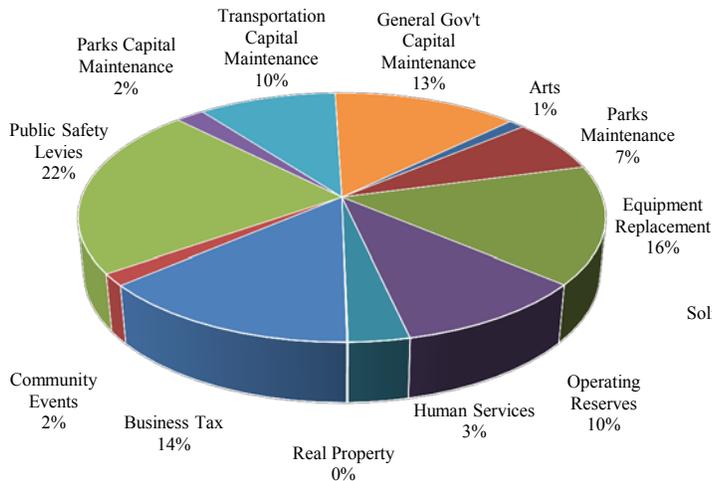
Miscellaneous

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

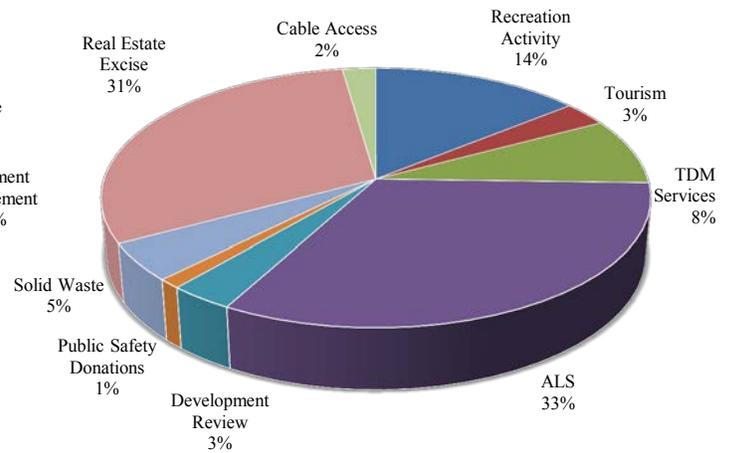
GENERAL FUND SUB-FUNDS AND SPECIAL REVENUE FUNDS

Special revenue funds account for revenues and expenditures that are restricted for a particular use. With the change required for GASB 54, 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 2015-2016 Budget total \$42 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 \$70 million and include the capital maintenance funds for each of the CIP areas, the public safety levies passed by voters in 2013, as well as funds used to replace fire and general city equipment. Following is a discussion of the 2015-2016 projected revenues for some of the larger funds in these two categories.

Advanced Life Support (ALS)

In 2004, Redmond became a lead agency for the Northeast ALS consortium made up of Redmond, Kirkland, Woodinville, Duvall, Fall City and unincorporated areas surrounding those communities. An

emergency medical services property tax is paid by all property owners in King County and the taxes collected support paramedic services throughout the County. Forecasted revenues for this service are based on the emergency medical services levy strategic plan approved by King County voters in 2007 and equal \$13.7 million for the 2015-2016 biennium.

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	
	2009	2010	2011	2012	2013	2014	2015	2016
Fire Levy	2,284	1,982	2,047	2,206	2,643	2,750	3,034	2,997
Police Levy	2,195	1,422	1,601	1,564	2,117	2,528	2,531	2,669
Parks Levy	320	251	297	282	245	272	332	343
Totals	4,799	3,655	3,945	4,052	5,005	5,550	5,897	6,009

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	
	2009	2010	2011	2012	2013	2014	2015	2016
General Fund Reserve	5,378	194	5,852	196	6,035	0	6,070	25
Building Permit Reserve ¹	1,110	0	310	0	0	0	0	0
LEOFF I Reserve	388	0	388	40	454	0	613	40
Capital Equipment Reserve	3,708	0	3,096	0	3,056	0	2,895	0
Fire Equipment Reserve	2,743	0	3,045	0	3,984	0	4,615	0
Totals	13,327	194	12,691	236	13,529	0	14,193	65

1. In 2013-2014, the Building Permit reserve was 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 a debt service fund to pay for voted and non-voted debt. This fund is used to account for the principal and interest payments for the 2013 purchase of the City Hall building, Bear Creek Parkway and Downtown Park projects. These debt obligations total \$10.8 million over the biennium, including principal and interest.

CAPITAL INVESTMENT PROGRAM

In the 2015-2016 Budget, Redmond has worked hard to strengthen the alignment between the CIP functional areas and the City's long-range vision as articulated in the Vision Blueprint and the Comprehensive Plan. This alignment is especially important in the City's two urban centers of Downtown and Overlake, as the City seeks to direct its public infrastructure investment in ways that will facilitate continued private redevelopment of these priority areas. While there are infrastructure and 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.

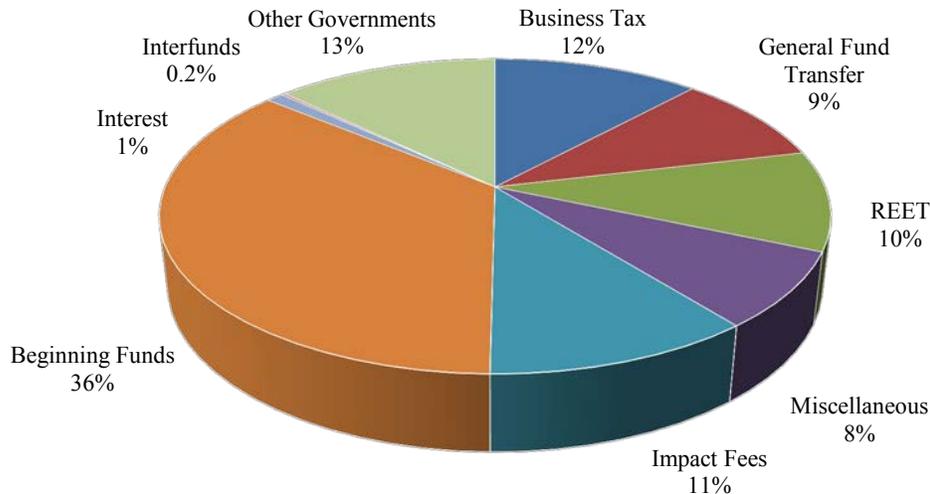
In 2011, the Council adopted an eighteen year capital investment strategy or Vision Blueprint that outlined the investment needed in the long-term to realize the City's vision. The goals of the Vision Blueprint are to:

- 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 and building infrastructure improvements and maintaining capital investments. These projects are funded through a variety of revenue sources, both public and private.

Beginning fund balances, Real Estate Excise Tax (REET), impact fees, grants, business tax and transfers made from the General Fund are the major revenues that make up a significant portion of the \$92.9 million of 2015-2016 general CIP revenues. Other CIP revenues include developer contributions and interest earnings.

Total 2015-2020 General CIP Revenues



Real Estate Excise Tax (REET)

REET is a 0.5% tax on the sale of real estate inside Redmond city limits and is restricted to expenditures on capital projects. REET collections have grown steadily since the significant decline in 2009. Estimates in the 2015-2016 Budget project this revenue will maintain its historical base of \$4 million per year.

Business Tax (BTI)

In 2014, a \$57.00 fee was assessed per employee to businesses operating in Redmond to support transportation and transportation demand management projects. Included in this budget is a \$7.00 increase to this revenue, bringing the total fee to \$64.00 per full-time equivalent employee. Growth in business tax revenue will mitigate some of the losses from decreasing impact fees. The long term growth in the revenue is projected to be 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, \$1.2 million annually of sales tax on construction goes to support the lease on the City Hall building, as well as \$300,000 per year for pavement management projects.

Impact Fees

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

Major Capital Project Revenues

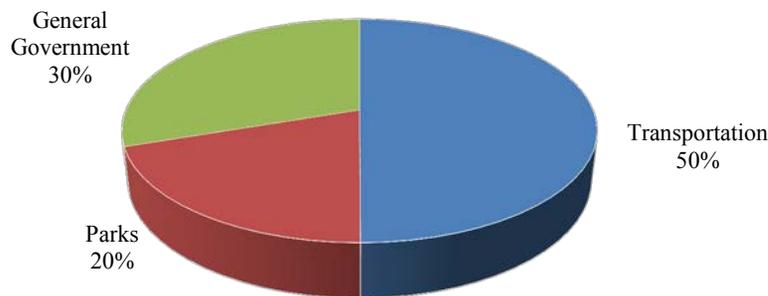
(thousands)

CIP Revenues	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
REET	2,170	2,656	2,816	3,669	5,729	4,000	4,120	4,244
Business Tax	4,462	4,018	3,993	4,188	4,195	4,245	4,812	4,871
General Fund Transfer	7,250	4,704	4,540	3,381	4,821	4,952	4,987	5,157
Impact Fees	971	1,966	2,331	4,831	4,632	4,771	4,391	4,535
Totals	14,853	13,344	13,680	16,069	19,377	17,968	18,310	18,807

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

A significant portion of the biennial CIP has been dedicated to projects in the two urban centers, such as development of the Downtown Park, the Redmond Way/Cleveland Street conversion from one-way streets to two-way, development of the Redmond Central Connector, the Public Safety Rehabilitation 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 fees 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 and excluding revenue bond proceeds) are expected to increase from a budgeted \$103.7 million to \$105.9 million, a 2.1% increase. Proposed in the budget are water and wastewater rate increases for both in-City and Novelty Hill customers. These rate increases are primarily due to a rise in purchased water costs and King County Wastewater Treatment charges.

City policy calls for a rate update to be performed in conjunction with the adoption of each biennial budget which occurred in July 2014. The table on the next page reflects the proposed rates recommended in the 2015-2016 Budget.

Proposed Water/Wastewater Rate Increases

Description	2015 Proposed	2016 Proposed
City of Redmond		
Water	3.0%	3.0%
Wastewater	2.0%	2.0%
Novelty Hill		
Water	3.0%	3.0%
Wastewater	3.0%	3.0%

Enterprise Fund Revenues

(thousands)

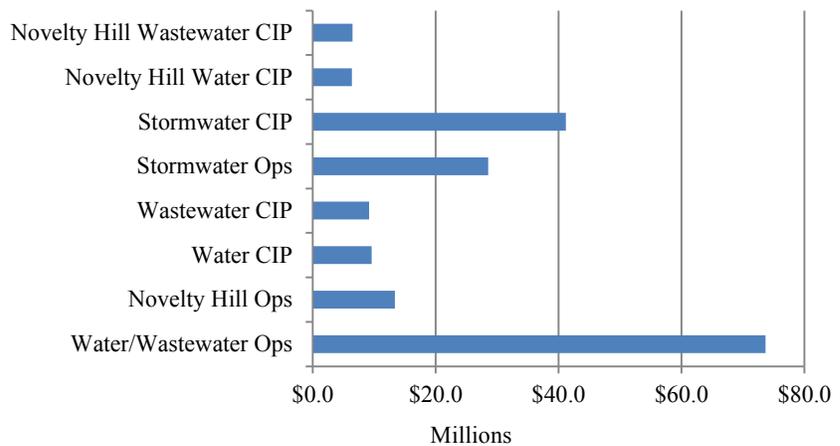
Utility Revenue	Actual					Estimate	Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Water/Wastewater ¹	31,566	23,237	30,639	32,788	34,782	32,535	34,258	35,120
Stormwater	10,865	11,367	12,264	11,234	12,819	11,783	11,886	11,900
Novelty Hill	6,089	5,500	7,318	7,358	7,792	6,150	6,249	6,439
Totals	48,520	40,104	50,221	51,380	55,393	50,468	52,393	53,459

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.

Utility Expenditures



The total budget for all eight funds equals \$192.1 million (including ending fund balance and transfers) with \$127.8 million dedicated to operations and \$64.2 million earmarked for construction. Included in the utility construction funds are expenditures to support the Downtown and Overlake Urban Center vision, as well as 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 3.5% - 4.5% 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 seeking innovations and efficiencies and cost containment as structural realities continue to put pressure on Citywide revenues. Past cost containment measures, implementation of innovations, efficiency improvements and new revenues will help Redmond manage expenditure increases into the future. Concentration on the long-range strategic vision and revenue strategy as well as monitoring outcomes on a consistent basis will keep Redmond moving forward toward the vision of a community of connected neighborhoods with two vibrant urban centers.

CITYWIDE BUDGET SUMMARY

2015-2016 ADOPTED BUDGET

CITY OF REDMOND

Fund Number	Fund	2011-2012 Budget	2013-2014 Budget	2015-2016 Budget	Budget to Budget Difference	Percent Change
100⁵	GENERAL FUND	\$146,889,655	\$160,275,294	\$167,607,373	\$7,332,079	4.6%
GENERAL FUND SUB-FUNDS						
011	Arts Activity	\$702,549	\$745,282	\$802,196	\$56,914	7.6%
012	Parks Maintenance & Operations	3,250,340	3,686,158	3,545,247	(140,911)	-3.8%
013	Special Events	975,930	792,035	1,094,203	302,168	38.2%
019	Human Services	1,392,729	1,824,326	2,253,923	429,597	23.5%
020	Fire Equipment Reserves	4,043,057	5,172,145	5,831,301	659,156	12.7%
021	Operating Reserves	7,586,283	7,932,785	7,203,423	(729,362)	-9.2%
027	Capital Equipment Reserve	5,245,842	5,106,496	4,914,199	(192,297)	-3.8%
030	Business Tax	9,067,266	8,391,806	9,799,160	1,407,354	16.8%
031 ¹	Real Property	0	50,000	44,650	(5,350)	-10.7%
035	Fire Levy	6,758,079	7,318,611	6,791,299	(527,312)	-7.2%
036	Police Levy	7,348,043	8,834,780	8,820,902	(13,878)	-0.2%
037	Parks Levy	940,264	1,131,214	1,288,679	157,465	13.9%
095	Parks Maintenance Projects	982,208	2,218,492	1,444,429	(774,063)	-34.9%
096	Transportation Maintenance Projects	7,330,497	7,517,326	6,908,375	(608,951)	-8.1%
099	General Government Maintenance Projects	4,674,499	12,697,821	9,283,498	(3,414,323)	-26.9%
Subtotal - General Fund Sub-funds		\$60,297,586	\$73,419,277	\$70,025,484	(\$3,393,793)	-4.6%
GRAND TOTAL GENERAL FUND		\$207,187,241	\$233,694,571	\$237,632,857	\$3,938,286	1.7%
SPECIAL REVENUE FUNDS						
110	Recreation Activity	\$4,613,406	\$5,752,172	\$5,951,267	\$199,095	3.5%
115 ²	Development Review	0	1,350,427	1,404,952	54,525	4.0%
117	Cable Access	1,828,978	1,519,771	949,974	(569,797)	-37.5%
118	Transportation Demand Management	3,925,576	3,659,030	3,491,177	(167,853)	-4.6%
122	Advanced Life Support (ALS)	12,133,394	13,029,565	13,667,621	638,056	4.9%
124	Aid Car Donation	412,907	444,461	493,802	49,341	11.1%
125	Real Estate Excise Tax (REET)	4,656,000	7,897,632	12,868,532	4,970,900	62.9%
126	Drug Enforcement	90,970	48,139	41,965	(6,174)	-12.8%
131	Hotel/Motel Tax	762,998	982,728	1,269,890	287,162	29.2%
140	Solid Waste/Recycling	1,406,827	1,786,540	1,976,183	189,643	10.6%
Subtotal - Special Revenue Funds		\$29,831,056	\$36,470,465	\$42,115,363	\$5,644,898	15.5%
DEBT SERVICE FUNDS						
230 ³	Excess Levy	\$808,153	\$287,865	\$0	(\$287,865)	-100.0%
233	Bear Creek Parkway/Downtown Park	15,683,347	45,774,565	10,778,507	(34,996,058)	-76.5%
Subtotal - Debt Service Funds		\$16,491,500	\$46,062,430	\$10,778,507	(\$35,283,923)	-76.6%
CAPITAL INVESTMENT PROGRAM (CIP) FUNDS						
314 ⁴	Council CIP	\$1,818,408	\$280,247	\$0	(\$280,247)	-100.0%
315	Parks CIP	23,281,838	10,608,600	13,349,568	2,740,968	25.8%
316	Transportation CIP	36,660,784	48,533,836	45,236,960	(3,296,876)	-6.8%
317 ⁴	Fire CIP	8,249,686	2,300,000	0	(2,300,000)	-100.0%
318 ⁴	Police CIP	873,355	150,958	0	(150,958)	-100.0%
319 ⁴	General Government CIP	13,497,811	6,249,773	16,663,088	10,413,315	166.6%
Subtotal - CIP Funds		\$84,381,882	\$68,123,414	\$75,249,616	\$7,126,202	10.5%

Fund Number	Fund	2011-2012 Budget	2013-2014 Budget	2015-2016 Budget	Budget to Budget Difference	Percent Change
ENTERPRISE FUNDS (UTILITIES)						
401	Water/Wastewater M&O	\$68,855,981	\$76,586,031	\$81,443,825	\$4,857,794	6.3%
402	Novelty Hill M&O	13,711,666	13,703,058	16,438,299	2,735,241	20.0%
403	Water CIP	10,474,814	9,777,610	14,441,057	4,663,447	47.7%
404	Wastewater CIP	4,448,677	11,048,141	9,861,952	(1,186,189)	-10.7%
405	Stormwater M&O	28,016,473	55,364,048	29,941,265	(25,422,783)	-45.9%
406	Stormwater CIP	43,627,852	75,966,030	24,138,593	(51,827,437)	-68.2%
407	Novelty Hill Water CIP	5,008,045	6,278,677	7,663,298	1,384,621	22.1%
408	Novelty Hill Wastewater CIP	4,997,487	6,691,851	8,136,088	1,444,237	21.6%
Subtotal - Enterprise Funds		\$179,140,995	\$255,415,446	\$192,064,377	(\$63,351,069)	-24.8%
INTERNAL SERVICE FUNDS						
501	Fleet Maintenance	\$8,859,975	\$8,976,360	\$10,565,916	\$1,589,556	17.7%
510	Insurance Claims & Reserves	2,707,692	2,565,685	2,762,288	196,603	7.7%
511	Medical Self Insurance	22,397,785	30,732,165	32,370,275	1,638,110	5.3%
512	Workers' Compensation	2,454,422	2,257,389	3,211,333	953,944	42.3%
520	Information Technology	10,922,236	9,884,974	11,238,536	1,353,562	13.7%
Subtotal - Internal Service Funds		\$47,342,110	\$54,416,573	\$60,148,348	\$5,731,775	10.5%
FINAL BUDGET - ALL FUNDS		\$564,374,784	\$694,182,899	\$617,989,068	(\$76,193,831)	-11.0%

Footnotes:

1. Fund 031 was created to manage and direct unencumbered proceeds from the sale of real property.
2. Fund 115 was reactivated due to Development Agreements established in 2014.
3. Fund 230 will be inactivated due to the final payment on the Unlimited Tax General Obligation (UTGO) refunding of debt on the Senior Center and Public Safety Building.
4. Funds 314, 317, and 318 were eliminated in 2013-2014 and combined with the 319 Fund.
5. General Fund was updated to include the addition of 3.0 Firefighter FTEs to the Fire Department via a Technical Amendment, due to reinstatement of Fire Station #13 engine at the request of Fire District #34.

ALL FUNDS SUMMARY

	2011-2012 Actual	2013-2014 Budget	2013-2014 Estimated	2015-2016 Budget	Change	Percent Change
REVENUE						
Property Tax	\$44,343,328	\$45,265,938	\$44,907,825	\$48,259,635	\$3,351,810	7.5%
Sales Tax	45,010,349	43,679,548	45,472,854	50,745,425	5,272,571	11.6%
Utility Taxes	22,399,782	23,771,492	17,729,505	19,074,952	1,345,447	7.6%
Other Taxes	15,789,091	16,031,179	26,290,792	20,145,351	(6,145,441)	-23.4%
Total Taxes	127,542,551	128,748,157	134,400,976	138,225,363	3,824,387	2.8%
Licenses & Permits	14,012,042	18,899,709	18,223,284	20,715,936	2,492,652	13.7%
Intergovernmental	42,456,456	61,201,403	60,206,986	48,951,227	(11,255,759)	-18.7%
Charges for Services	110,020,872	114,109,117	118,133,535	123,607,217	5,473,682	4.6%
Fines & Forfeits	4,156,057	1,658,746	921,865	952,824	30,959	3.4%
Interest	2,252,213	4,187,156	2,919,672	3,823,914	904,242	31.0%
Other Revenue	47,985,633	78,164,604	75,254,225	51,146,398	(24,107,827)	-32.0%
Non-Revenue	84,290,844	139,263,694	143,086,693	87,881,437	(55,205,256)	-38.6%
TOTAL REVENUE	\$432,716,669	\$546,232,586	\$553,147,236	\$475,304,316	(\$77,842,920)	-14.1%
EXPENDITURES						
Salaries & Wages	\$101,457,298	\$107,829,648	\$100,718,903	\$114,562,454	\$13,843,551	13.7%
Overtime	2,973,357	3,111,087	4,446,287	3,465,501	(980,786)	-22.1%
Supplemental Help	2,809,866	3,009,508	3,184,055	3,427,483	243,428	7.6%
Other Compensation	147,436	189,264	652,137	409,262	(242,875)	-37.2%
Personnel Benefits	52,206,311	64,330,002	58,598,649	71,037,395	12,438,746	21.2%
Supplies	21,383,021	24,373,953	22,287,446	23,992,153	1,704,707	7.6%
Professional Services	24,439,331	12,743,766	9,802,003	14,006,919	4,204,916	42.9%
Communication	1,079,166	1,256,339	1,198,827	1,303,590	104,763	8.7%
Training	710,409	985,500	794,987	538,528	(256,459)	-32.3%
Advertising	180,889	317,587	130,301	0	(130,301)	-100.0%
Rentals	405,685	447,499	372,499	406,615	34,116	9.2%
Insurance	1,833,668	1,581,111	1,714,352	1,600,000	(114,352)	-6.7%
Utilities	5,953,808	6,863,193	7,045,272	7,416,921	371,649	5.3%
Repairs & Maintenance	11,313,530	17,152,165	7,777,233	26,771,335	18,994,102	244.2%
Other Services & Charges	9,119,701	10,308,985	7,342,398	8,612,917	1,270,519	17.3%
Intergovernmental	29,941,233	34,638,795	33,827,796	37,506,211	3,678,415	10.9%
Capital	50,396,420	120,531,642	123,468,004	88,596,321	(34,871,683)	-28.2%
Interfund Payments	19,869,564	21,589,489	21,762,868	28,215,224	6,452,356	29.6%
Debt Service	16,229,608	51,327,732	60,362,169	21,263,945	(39,098,224)	-64.8%
Transfers Out	73,391,516	97,615,267	96,020,437	68,424,506	(27,595,931)	-28.7%
TOTAL EXPENDITURES	\$425,841,815	\$580,202,532	\$561,506,623	\$521,557,280	(\$39,949,343)	-7.1%
NET CHANGES	6,874,854	(33,969,946)	(8,359,387)	(46,252,964)	(37,893,577)	453.3%
FUND BALANCE JANUARY 1	144,169,285	147,950,313	151,044,139	142,684,752	(8,359,387)	-5.5%
FUND BALANCE DECEMBER 31	\$151,044,139	\$113,980,367	\$142,684,752	\$96,431,788	(\$46,252,964)	-32.4%
FULL-TIME EQUIVALENTS	622.05	622.81	639.49	654.47	14.98	2.3%

Fund Notes:

Descriptions of all budgeted funds can be found in the following pages.

Added 3.0 Firefighter FTEs to the Fire Department via a Technical Amendment, due to reinstatement of Fire Station #13 engine at the request of Fire District #34.

Total FTE variance between the 2013-2014 and 2015-2016 Budget is different on Staffing Authorizations as some limited duration FTEs were already present during 2013-2014 Biennium Budget.

STAFFING AUTHORIZATIONS
FULL-TIME EQUIVALENTS (FTEs)
CITY OF REDMOND

	2011-2012 Budget	2013-2014 Budget	2015-2016 Budget	Budget to Budget Difference ⁴
GENERAL FUND AND SUB-FUNDS				
Executive/Legal ¹	16.25	15.75	17.75	2.00
Finance & Information Services ^{1,2}	31.50	28.50	29.00	0.50
Fire ²	127.50	128.50	131.50	3.00
Human Resources ²	10.50	10.50	10.54	0.04
Parks & Recreation ²	37.56	36.06	35.10	(0.96)
Planning & Community Development ^{1,2,3}	57.41	67.39	66.44	(0.95)
Police ²	127.10	129.30	130.41	1.11
Public Works ²	45.47	45.47	40.87	(4.60)
Arts Activity ²	0.50	0.50	1.00	0.50
Community Events	1.00	1.00	1.00	0.00
Parks Maintenance & Operations	10.01	10.01	10.01	(0.01)
Parks CIP Maintenance	2.00	2.51	2.75	0.24
Transportation CIP Maintenance ²	10.55	10.55	20.70	10.15
GENERAL FUND AND SUB-FUNDS TOTAL	<u>477.35</u>	<u>486.04</u>	<u>497.07</u>	11.02
OTHER FUNDS				
Recreation Activity	10.49	10.61	11.16	0.55
Development Review Fund ³	0.00	6.50	5.45	(1.05)
Operating Grants Fund ^{1,2}	3.00	3.00	5.00	2.00
Advanced Life Support	32.00	32.00	32.00	0.00
Solid Waste/Recycling	3.63	3.63	3.63	0.00
Water/Wastewater ²	36.53	37.53	38.83	1.30
Stormwater Management ²	27.48	27.60	27.25	(0.35)
Fleet Maintenance	6.58	6.58	7.08	0.50
Worker's Compensation Insurance	1.00	1.00	1.00	0.00
Information Technology	24.00	25.00	26.00	1.00
OTHER FUND TOTAL	<u>144.71</u>	<u>153.45</u>	<u>157.40</u>	3.95
TOTAL ALL FUNDS	<u><u>622.05</u></u>	<u><u>639.49</u></u>	<u><u>654.47</u></u>	<u><u>14.98</u></u>
SUPPLEMENTAL FTEs	53.62	46.26	54.93	8.67

Notes:

1. In the 2015-2016 Budget, the Economic Development, Tourism and Transportation Demand Management Divisions will be moving from Planning to Executive Department.
2. The following changes were also made in the 2015-2016 Budget:
 - 5.0 new FTEs were added in Public Works Department;
 - Add 3.0 Firefighter FTEs to the Fire Department via a Technical Amendment, due to reinstatement of Fire Station #13 engine at the request of Fire District #34.
 - 1.0 Human Resources Generalist and 1.0 Parks Maintenance Technician position were made full-time;
 - Police Department received additional grant funding for a Crime Analyst and Police Officer position; and
 - Limited duration positions were converted to regular FTEs, including 3.0 in Executive (with grant funding for Operating Grants FTEs), 1.0 in Finance, 1.0 in Fire, 1.0 in Planning (also appearing in the 2013-2014 Budget) and 3.0 in Public Works (with 1.0 Administrative Specialist also appearing in the 2013-2014 Budget).
3. In June 2014, Council approved the addition of 17.0 limited term FTEs in relation to the Capstone Agreement and general development surge.
4. Total FTE variance between the 2013-2014 and 2015-2016 Budget is different on Staffing Authorizations as some limited duration FTEs were already present during 2013-2014 Biennium Budget.