
MAYOR'S MESSAGE



January 2015

Dear Community and Council:

I am very pleased to present the 2015-2016 Budget as part of Redmond's Six-Year Financial Plan. In preparing this budget, the staff and I focused upon the good of the community, guided by a robust public process. Conversations with the Council over the past year provided the revenue and expenditure framework from which we worked. Overall, this budget bolsters our maintenance efforts, allows us to keep up with growth and offers strategies to provide the services and investments our community desires.

The 2015-2016 Adopted Budget totals \$618 million, which is a 6% increase over the previous biennium. Five new positions address our increasing maintenance requirements in our utilities, roads and other assets. The budget adds new revenues within the Council's discretion: a 3% utility tax on cable television subscriptions, an \$8 increase in the business license fee to account for inflation since it was last adjusted in 2007, and an additional \$7 business license fee for transportation system and transportation demand management improvements. The utility budgets also include modest rate increases for the water and wastewater utilities.

The Six-Year Financial Plan builds upon our sound financial strategy. For 30 years, Redmond has set aside 5% of the General Fund for capital investment. Previous City Councils approved revenue and utility rate increases when needed instead of postponing them to a later day. The Council and Administration review our fiscal policies together on a biannual basis. These actions, along with other strategies, have earned the City of Redmond and our utilities an AAA rating from Standard and Poor's.

This document lays out an approach that continues our fiscal discipline and maintains the City as one of the "Top 5 Cities"¹ in the country at a "price of government" that is among the lowest offered to our residents in the past twenty years. To remain a world class city requires continued progress on our vision and big goals. It requires continued investment. It requires our best work. This plan will maintain the momentum we have built over the past six years and we are committed to its success.

Public Outreach and Internal Analysis

The 2015-2016 Budget process gathered more public input than ever before. Our outreach started with the annual survey results from last year, which showed that 77% of our residents believe the City is headed in the right direction.

¹ America's Best Places to Live," *Money Magazine*, September 2012, 81.

Additional outreach included our new “Your City, Your Choice” website tool, a new “Civic Budget Team” made up of community members and most recently at “National Night Out” where elected officials talked to neighbors one-on-one. “Your City, Your Choice” provided short videos describing each of the City’s six priorities and sought input from residents. Almost 1,400 people participated, with Clean and Green, Infrastructure and Safety rated as the top three priority areas.

The community’s input has encouraged us to continue on the path we have set over the past six years:

- Focusing growth in our urban centers;
- Preserving and strengthening our existing neighborhoods;
- Encouraging economic vibrancy;
- Embracing a strong environmental ethic; and
- Maintaining the quality of life and fiscal accountability we enjoy in Redmond.

We have also worked with the Council for the past year to analyze the financial condition of the City. Together we reviewed the cost of City services through logic models, evaluated our revenue levels as a percentage of community income (the price of government model) and continued to improve our accountability to the public for the results. For the past several months, City staff has analyzed operational improvements, assessed our performance and created a financial plan that responds to the input we have received. Altogether, this budget and financial plan balances our enthusiasm for achieving our vision with the day-to-day commitments to provide high quality City services.

The Next Six Years

Besides funding the programmatic priorities, the budget and financial plan enable us to: “*catch up*” on some needed maintenance in our transportation systems and city facilities; “*keep up*” with growth and demands for services from a growing and diversifying community; and “*step up*” to some of the needs and opportunities discussed for several years that can be acted upon now.

Catching Up – The adopted budget catches up with needed investments while maintaining the momentum on the wide variety of community services that Redmond’s residents and businesses expect. Examples include increased levels of roadway maintenance, and parks and trail systems. Our older buildings are also driving increased costs. In a report presented last year, we learned that some significant investments are required to preserve the value these buildings provide. The most pressing example is the Public Safety Building, built in 1991. The design and materials used in many building exteriors of that time period failed sooner than expected, creating leaks and other problems. A capital project of \$10.4 million is proposed to address the structural, HVAC and seismic issues. Similar challenges exist with the Senior Center. The budget contains offers to continue the assessment of our buildings to identify problems and ensure they remain safe and functional.

Keeping Up – To “keep up” with the needs of our growing city, the budget process enables us to thoroughly scrutinize our cost of providing service. We have documented that in the context of each budget proposal presented by adding a new element. This budget includes the changes

from the baseline budgets where we have “wrung out” these programs for any excess that could be used more effectively elsewhere to stretch our limited resources.

In addition, we implemented the Council’s direction to follow up capital investments by budgeting the operational resources to maintain those investments. An excellent example is the Redmond Central Connector. With phase one complete, the community already enjoys and loves this great new community treasure. Now it is important that our new investment remains safe and well maintained. The growing street grid provides another good example, where new development expands our roadways and it is up to the City to provide the ongoing needed maintenance.

Stepping Up – The biennial budget does include a few modest elements of “stepping up” towards the vision we share for the Community. Examples include: enhancing our cultural offerings through the popular “So Bazaar” events; evaluation of an “Arts Center”; and improvements to transit service through a Senior Center Shuttle. These examples are modest, in keeping with our primary focus on catching up on maintenance and replacement of existing programs and facilities.

Capacity for significant “step up” type investments, such as a new community center and pool, does not exist in the ongoing revenues of the City. Investments on this scale require an excess property tax levy. This type of levy necessitates clear and strong community support in the form of more than 60% approval in an election. We need to hold the conversation to examine our willingness as a community to make financial commitments on larger scale projects like these.

Price of Government – This model creates a benchmark to measure the City’s revenue level and assess if overall taxes, fees and utility costs are reasonable. Historically, Redmond’s price of government (city revenues divided by community income) ranges between 5% and 6%. Currently, Redmond’s price of government is among the lowest it has been since 1997 (and likely longer).

State law constrains all Washington cities’ ability to collect revenue at a rate that keeps up with inflation. This creates a structural imbalance. Cities must choose to either drop the level of service or raise taxes just to maintain a steady revenue level and a consistent price of government.

As revenue collections fall below 5%, the lack of available revenue erodes our ability to provide the same level of service. The Finance Plan targets a price of government of between 5.0% and 5.5% of community income over the next six years. This will enable us to make needed investments while still offering value to our residents and businesses.

For the long-term sustainability of City services, the financial plan borrows from the experiences of school districts who faced this dilemma some time ago. We recommend a six-year property tax levy be developed and proposed on the 2015 ballot, effective in 2016. This levy would address both operational and capital investment needs in the future. As a six year levy, it creates a regular schedule of accountability when the community can determine whether or not to reinvest in their city. This can be accomplished while preserving an overall price of Redmond City government between 5.0% and 5.5% of community income.

The adopted budget does not rely on a new property tax levy. However, without refreshing the past levies and addressing the structural imbalance, the six-year financial plan will not maintain current services.

Staffing

The budget reflects the addition of 15 positions. Only five of the positions are additions to the workforce. Some of the new positions come from converting four grant-funded positions to regular slots since these grants are consistently renewed. If the grant goes away, the position will also. The remaining six positions reclassify long-term limited duration positions into regular positions to meet our internal human resources policies. This budget, with the recommended additions, would result in a city workforce that is smaller than it was in 2007. We remain proud of the effectiveness of our employees and believe that the City enjoys a higher service level today, with a smaller workforce, than it did in the past.

In Summary

This budget focuses on our six community priorities while pursuing our common vision. It requires an efficient approach to government services documented by measures of performance. It calls for fiscal accountability with an eye to the future. We believe that our Six-Year Plan and biennial budget aligns with these ideals. It retains a commitment to take the big steps only with significant community dialog and support. It focuses on maintaining what makes Redmond special. It keeps the price of Redmond City Government affordable. I want to thank those of you who participated in the Budgeting by Priorities process and urge others to get more involved in our continuing efforts to build a connected and vibrant City. I encourage your questions and suggestions on the community issues that are important to you and the services we provide. You can contact me by phone at (425) 556-2101 or email at mayor@redmond.gov.

Sincerely,



John Marchione
Mayor

BUDGET HIGHLIGHTS

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2015-2016 ADOPTED BUDGET

CITY OF REDMOND

This section summarizes the major changes in the 2015-2016 Adopted Budget. For details on these changes, please see each of the priority sections of the budget.

**Budgeting by
Priorities**

As in the past three biennial budgets, the City of Redmond is using the Budgeting by Priorities (BP) process to build the budget. As a result, Redmond is presenting information in the context of the priorities as defined by the community and refined by the City Council.

See the “Budget by Fund” Section for Prior Year Comparisons

The only financial information presented in the context of prior years is the “Budget by Fund” financial summaries. By its nature, BP is a form of “zero based” budgeting in that some offers may be comparable over time, but staff is encouraged to be innovative and collaborate in creating offers. Therefore it is difficult to compare budget offers over multiple budgets.

**Financial
Sustainability**

**City of Redmond’s
Financial Plan**

The City of Redmond works to manage its fiscal responsibilities in a sustainable manner using best practices and financial strategies, while conforming to council policies. There is an intentional logic in the design of the City’s financial planning strategy. It is represented in the illustration below and referred to often in this budget.

Relationship of the Financial Planning Elements



First Layer:
Long Range
Financial Strategy

The foundation of the City’s financial planning efforts is the **Long Range Financial Strategy** (LRFS) first developed by the City Council in 2005 and reviewed on an ongoing basis. This strategy is comprehensive for all city functions and funds. It includes the other elements referred to in the above illustration.

Second Layer:
Price of Government

The **Price of Government** is how the City thinks about the right level of resource that should be available to provide city services. The “price” is a ratio of total city revenues (all funds/all external revenues)

Resources Available
for the Provision of
Facilities and
Services

Third layer:
Capital Investment
Strategy

CIS as a Foundation

Revenue Strategy
The Six Year Plan

3% Utility Tax on
Cable TV

Increase in Business
License Fees

1% Property Tax
Utility Rate
Increases

Continued
Investment

to total personal income (personal income x population). It has historically been between 5% and 6%. The approved budget as presented the Price of Government is 5.08% (for more detailed information, see the Budget Overview).

The “**Capital Investment Strategy**” (CIS) was developed in 2010-2011 for two primary purposes. First, to ensure capital investments across the City are proposed in a coordinated fashion and focused on the vision as defined by the adopted comprehensive plan. Second, it informs the capital facilities plan and the ability of the City to facilitate growth. An inherent aspect is the ability to maintain the City’s past investments into the future.

The CIS is portrayed as foundational, as the level of service (described in the State Growth Management Act) is both a capital facilities and an operating budget concept. The Comprehensive Plan describes the type of city and/or community that Redmond strives to provide in the form of facilities and levels of service. This should be reflected in both the Capital Facilities Plan (the implementation version of the CIS) and the operating budget.

Maintaining a target price of government of between 5% and 5.5% of community income over the next six years enables the City to make needed investments. It will enable the City to “catch up” on some needed maintenance in the transportation systems and city facilities. It helps to “keep up” with growth and demands for service from a growing and diversifying community and it will “step up” to some of the needs and challenges.

In order to address these needs, this budget totals \$618 million which is a 6% increase over the previous biennium. The budget adds a 3% utility tax on cable television subscriptions, “catching up” the business license fees for the effect of inflation, since they were last increased in 2007, and adds an additional \$7 business license fee for transportation system and transportation demand management improvements. Consistent with the City’s Long Range Financial Strategy, this budget also includes a 1% property tax increase and utility rate increases (annual increases of 3% for water and 2% for wastewater) in the next biennium.

Continuing to make investments in City infrastructure and related operations will require community support. The Revenue Strategy calls for a look at a levy increase in the next two years and a subsequent capital levy to maintain the City’s level of service and “step-up” to major capital investment.

One-Time Revenue

The City is also anticipating one-time resources in the General Fund to total \$9.45 million due to under expenditures and carryover of the economic contingency.

Balancing the Budget

In addition to considering revenue resources, the City has carefully and thoroughly scrutinized the cost of providing service and has captured efficiencies where possible. In addition, right-sizing resources, evaluating programs, seeking resource leverage opportunities and building new community program partnerships were also significant steps in balancing the budget.

Performance / Logic Models

Another accountability method used during the budget process, is the City’s Dashboard indicators. Council first adopted the Dashboard in 2011 and has continued to review and affirm these measures. In addition to the Dashboard, logic models were added this biennium for use as a measuring tool to identify the performance of a service or program in relation to the City’s key benchmarks and measures.

Capital Investments

The total General Fund transfers to capital investments amounts to \$10 million. This includes the 5% General Fund policy transfer of \$7 million, pavement management (\$600,000) and sales tax on construction (\$2.5 million) to support the debt on City Hall. The total 2015-2016 capital investment within this budget including utility investments equals \$106.4 million (excluding ending fund balances and transfers). Some significant projects programmed into the CIP in the near term include Cleveland Street/Redmond Way One-Way to Two-Way Conversion, City Facility Improvements and Renovations, and Downtown Park. The budget uses the Capital Investment Strategy to ensure that capital expenditures are focused on developing the City’s vision as illustrated in the comprehensive plan.

Increase in Employees

The budget includes an increase of 14.98 full-time equivalent (FTE) employees; including the conversion of “limited duration” employees and grant funded positions. In addition, 3.0 Firefighters were added due to the reinstatement of Fire Station #13 engine at the request of Fire District #34.

Summary of Staffing Changes

Department	2015-2016	2015-2016
	FTE Additions	FTE Reductions
Executive	3.00	
Finance	0.50	
Fire	4.00	
Human Resources	0.04	
Parks	0.33	
Planning	1.00	-1.00 ¹
Police	1.11	
Public Works	8.00	
Total	17.98 ²	-1.00

1. Reduction effective July 1, 2015.
2. Total FTE variance between the 2013-2014 and 2015-2016 Budget is different on Staffing Authorization as some limited duration FTEs were already present during 2013-2014 Biennium Budget.

The budget highlights of each priority are summarized below:

Business Community

Increase in Development Service Activities

Business Access and Mobility

Sustainable Economic Development

Clean & Green

Maintaining and Managing Redmond's Green Spaces

Maintaining Park Facilities

• **BUSINESS COMMUNITY**

I want a diverse and vibrant range of businesses and services in Redmond.

- Development Surge – Continues support of additional 17.0 FTEs approved by the Council on June 17, 2014 to accommodate the increase in general development activity and development agreements.
- Business Access and Mobility – Converting 3.0 limited duration FTEs that support business access and mobility activities (Commute Trip Reduction and Redmond Trip Resource and Incentive Program). Adds a Community Shuttle Program to supplement transit services (\$125,000).
- Leveraging Opportunities – Engaging and collaborating with other organizations (e.g. OneRedmond, the Economic Development Council of Seattle and King County, and Washington State Department of Commerce) through initiatives, such as the Innovation Partnership Zone for Interactive Media and Digital Arts, King County Aerospace Alliance and Washington Tech Cities Coalition.

• **CLEAN & GREEN ENVIRONMENT**

I want to live, learn, work and play in a clean and green environment.

- Active Health in Green Spaces – Keeping public gathering spaces clean, safe and welcoming for residents to enjoy community programs, recreational opportunities, facilities and rentals, while reducing supplemental staffing (\$177,100) and pool enhancements (\$35,000).
- Trail Stewardship and Natural Areas – Increases a Maintenance Technician by .33 FTE. Adds a boom arm mower, skip loader and utility vehicle to support the maintenance of the recently constructed Redmond Central Connector as well as other maintenance needs (\$110,000), while reducing supplemental salaries by \$40,729.

Green Redmond Partnership	<ul style="list-style-type: none"> ○ Green Redmond Partnership – Providing resources to develop work efforts in natural areas and support actions towards acquiring grants and donations to support the volunteer-based program.
Protecting Water Sources	<ul style="list-style-type: none"> ○ Protecting Redmond’s Water Sources – Adds 1.0 Source Control Technician, \$400,000 for the groundwater model, \$18,000 for repair and maintenance of monitoring wells and \$130,000 in professional services for well monitoring.
Stormwater System Maintenance	<ul style="list-style-type: none"> ○ Maintaining the City’s Stormwater System – Adds a heavy duty service vehicle to support the vector truck and other routine maintenance and repair (\$68,074), mower for sloped area maintenance (\$60,000) and sweeper and trailer for pervious surface cleaning (\$100,000).
Community Building	<ul style="list-style-type: none"> ● COMMUNITY BUILDING <i>I want a sense of community and connections with others.</i>
Connecting the community	<ul style="list-style-type: none"> ○ Communications – Maintains current level of funding for communications and community engagement. A revised communications model is currently being developed.
Strategic Investments in Human Services	<ul style="list-style-type: none"> ○ Human Services – Maintains current level of service by converting the existing limited duration Senior Planner position to a regular FTE. This employee will provide adequate resources to ensure residents have access to an array of essential human services.
Making Great Public Parks and Places	<ul style="list-style-type: none"> ○ Public Parks and Places – Creates, improves and maintains public spaces with integrated art and landscape design. Funding will support the Art Center Feasibility Study and Market Study (\$125,000), as well as maintenance on newly commissioned artwork (\$10,000).
Lifelong Learning and Social Enrichment	<ul style="list-style-type: none"> ○ Recreational Opportunities – Maintains recreation programming and drop-in activities at three community centers, as well as adds a Farm School Camp (\$30,000) and an Adaptive Recreation Day Program that serves people with disabilities (\$110,000).
Community Engagement through Arts and Events	<ul style="list-style-type: none"> ○ Community Events – Continues providing the community with free, diverse and unique events and cultural programming throughout the year, adds the So Bazaar Night Market (\$125,000), while eliminating the Spring Event (\$11,159) and some Downtown holiday lighting (\$17,441).

Racial Equity	<ul style="list-style-type: none"> ○ Infusing Racial Equity into City Services – New offer requesting funds to broaden communication and service strategies to our diverse community and develop programs that meet the needs of all citizens. Rather than funding this offer, the Mayor has tasked a team of Department Directors with pursuing these goals and initiatives within their existing resources.
Infrastructure & Growth	<ul style="list-style-type: none"> ● INFRASTRUCTURE & GROWTH <i>I want a well-maintained city whose transportation and other infrastructure keeps pace with growth.</i>
Comprehensive Community Development	<ul style="list-style-type: none"> ○ Plans for Redmond’s Future – Strategic planning providing framework for future growth. Updates and implements the City’s Comprehensive Plan, Zoning Code and companion documents to preserve and enhance Redmond’s quality of life. Includes an Overlake Village Transportation Planning Study (\$160,000) and a District Energy analysis match for grant funds (\$25,000).
Infrastructure Design, Construction, and Compliance	<ul style="list-style-type: none"> ○ Construction Services – Ensures new infrastructure and construction activities meet codes and requirements, as well as protects existing community assets from construction related damage. Converts 3.0 limited duration FTEs to regular status to continue the level of capacity needed to support anticipated construction related activities.
Right of Way Maintenance	<ul style="list-style-type: none"> ○ City Streets – Maintains safe and reliable transportation infrastructure. Adds 1.0 Maintenance Technician, \$60,000 for outside repair and maintenance to ensure regulatory compliance and \$35,000 in one-time money to replace an herbicide sprayer, while eliminating \$150,000 in professional services.
Public Works Maintenance	<ul style="list-style-type: none"> ○ Maintenance Administration – Supports Public Works maintenance and operations activities. Adds 1.0 Administrative Specialist to provide additional support to the Maintenance and Operations Center and an Asset Management Administrator to offer technical support for the new asset management software.
City Hall	<ul style="list-style-type: none"> ○ City Hall Debt Obligation – Maintains the City Hall principal and interest payments, along with contract payments for maintenance on the City Hall building and parking garage.
Water System Maintenance	<ul style="list-style-type: none"> ○ Water System Maintenance – Adds 1.0 Utility Systems Technician, a heavy duty service vehicle (\$68,074), sprinter van (\$135,000), vactor truck (\$400,000) and \$28,000 in

Capital Investments	<p>supplemental salaries to support ongoing maintenance and repairs on the City’s water infrastructure.</p>
Responsible Government	<ul style="list-style-type: none"> ○ Capital Investments – Ensuring strategic capital investments to support the development in Downtown, Overlake, and established neighborhoods. Projects include: Couplet Streetscape and Conversion, Overlake Village Pedestrian Bridge, Downtown Park, and Redmond Central Connector – Phase II. ● RESPONSIBLE GOVERNMENT <i>I want a city government that is responsible and responsive to its residents and businesses.</i>
Information Technology Strategic Investments	<ul style="list-style-type: none"> ○ Information Technology – Ensures the City technology systems can support the delivery of services by providing highly reliable, state of the art systems.
City Financial Services	<ul style="list-style-type: none"> ○ Financial Services – Provides utility billing, accounting, auditing, financial planning, purchasing and treasury services to support the operations of the City. Includes a new .50 Accounting Specialist to take the place of supplemental help in Purchasing.
Innovation Fund	<ul style="list-style-type: none"> ○ Innovation Fund – Continues the innovation fund (\$200,000) to be managed by the Mayor’s Office. This fund will be available for use by city staff to implement new approaches to provide improved service.
Citywide Reserves and Contingencies	<ul style="list-style-type: none"> ○ Citywide Reserves – Provides sufficient cash flow to meet the City’s needs and to support an acceptable level of City services in the event of a catastrophic incident. Meets all policy targets, including 8.5% operating reserve for the General Fund and 4% for the economic contingency.
Fleet Maintenance	<ul style="list-style-type: none"> ○ Provide Dependable Vehicles and Equipment – Maintains fleet services responsibility for procuring and maintaining the City’s fleet in a safe, dependable and fiscally responsible manner.
Risk Management	<ul style="list-style-type: none"> ○ Risk Management – Ensures protection against property and liability risks, as well as provides for the management of claims. Additionally, protects the City from any unnecessary loss of scarce community resources, while preserving City investments.

Safety

- **SAFETY**
I want to be safe where I live, work and play.
 - Fire Prevention Services – Prevents, reduces and provides quick response to emergency situations through education, engineering and enforcement of codes and standards. Reclassifies a Deputy Fire Marshal to a Fire Marshal position.
 - Jail Services – Reduces the cost of jail services by \$130,000 through effective contract management.
 - Public Safety Information Technology Support – Recognizes unique public safety technology support role. Provides for new 24/7 standby support (\$205,000) and additional professional services (\$45,000).
 - Fire Apparatus Maintenance – Provides vehicle testing, maintenance and repairs following best practices of industry standards and manufacturer recommendations. Converts a limited duration Fire Mechanic to regular status to maintain service levels.
 - Emergency Medical Service/Suppression – Allocates 1.0 Firefighter to Fire Levy from the General Fund and adds 3.0 Firefighters due to the reinstatement of Fire Station #13 engine at the request of Fire District #34. Reduces overtime (\$600,000), professional services (\$141,000) and operating supplies (\$50,000) through right sizing. Shifts the Equipment Reserve Transfer previously funded by the Capital Investment Program to the General Fund (\$562,410).
 - Police Services – Increases Crime Analyst by .11 FTE and adds 1.0 Police Officer (both are grant funded positions). Reduces various line items (\$260,000) including overtime, professional services, supplies, legal and training through right sizing.
 - Emergency Response/Recovery – Provides for the development of Department Response and Continuity of Operations Plans with consultant assistance, coordination between department, training of key staff and plan deployment (\$100,000).
 - Computer Aided Dispatch (CAD) Replacement – Capital investment to replace the Police Department’s current CAD system (\$4,848,930).
- Fire Prevention
- Jail Services
- Public Safety Technology
- Fire Apparatus Maintenance
- EMS / Suppression
- Police Services
- Emergency Response
- Police Dispatch System Replacement