
BUDGET AT A GLANCE

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

BUDGET OVERVIEW

2019-2020 ADOPTED BUDGET

CITY OF REDMOND

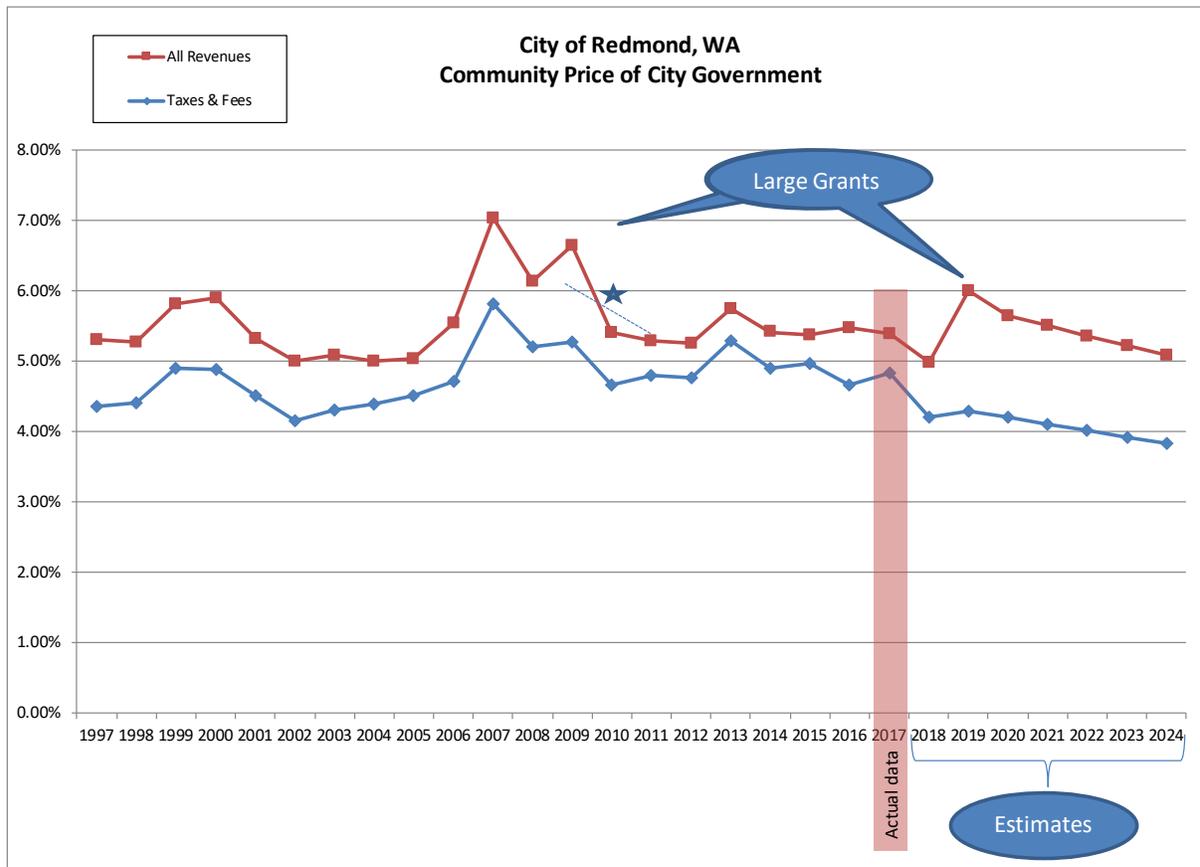
The Budget Overview serves as a review of the recommended 2019-2020 financial plan and includes revenue and expenditure projections over the biennium based on the City’s six-year forecast. This budget continues to use the priorities defined by the Redmond community in 2008 (with subsequent revisions) 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 fell to 4.9% in the 2017-2018 biennium and is projected to increase to 6% in 2019-2020, primarily due to large transportation grants and capital contributions. However, removing the large one-time revenue collections, the Price of Government drops to 5.4% over the biennium.

**The Price of Government
City of Redmond, Washington
2019-2020 Budget**

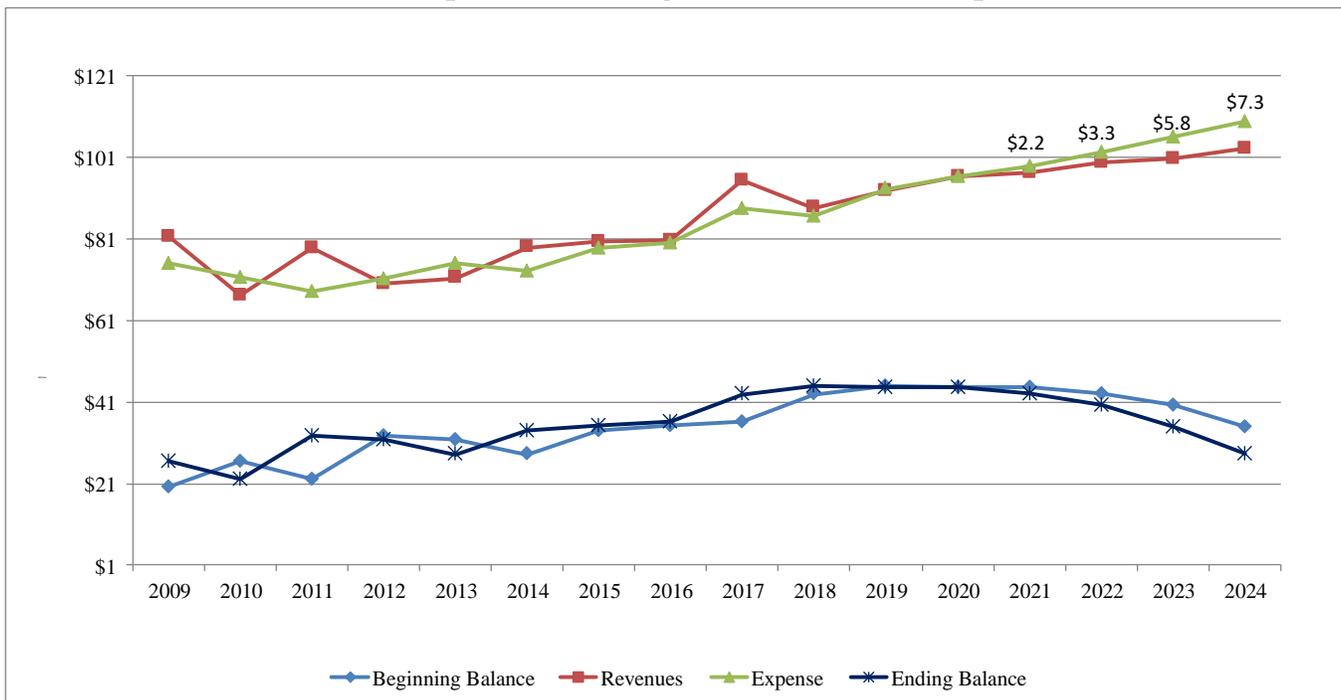


Keeping the Price of Government in mind (the “price”), this budget continues to conservatively forecast revenues and rely on right-sizing costs, innovation and efficiencies and matching service expenditures with demand to balance Redmond’s resources. As revenue collections fall below a “price” of 5%, fewer resources are available to maintain current levels of service. The Long Range Financial Strategy targets the Price of Government between 5.0% – 5.5%, and given current revenue projections, the “price” (removing large one-time revenue collections) will hover between 5.0%-5.5% for the foreseeable future without additional revenue increases.

LONG RANGE FINANCIAL STRATEGY

Redmond’s General Fund six-year financial forecast identifies revenue and expenditure expectations 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 2019-2020 forecast shows growth in some revenues such as property tax, sales tax utility taxes and development revenue. Although the revenue outlook is better, the City remains cautionary due to the volatility of some revenue sources such as sales tax and development revenue, the potential for decreases in State-shared revenues and uncertain impacts on the expenditure side for retirement and medical costs. The chart below illustrates an updated long range financial forecast and shows projected gaps in future budgets.

**City of Redmond 2019-2020 General Fund Budget
Estimated Gap Based on Budgeted Revenues and Expenditures**



These revenue and expenditure trends consider 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

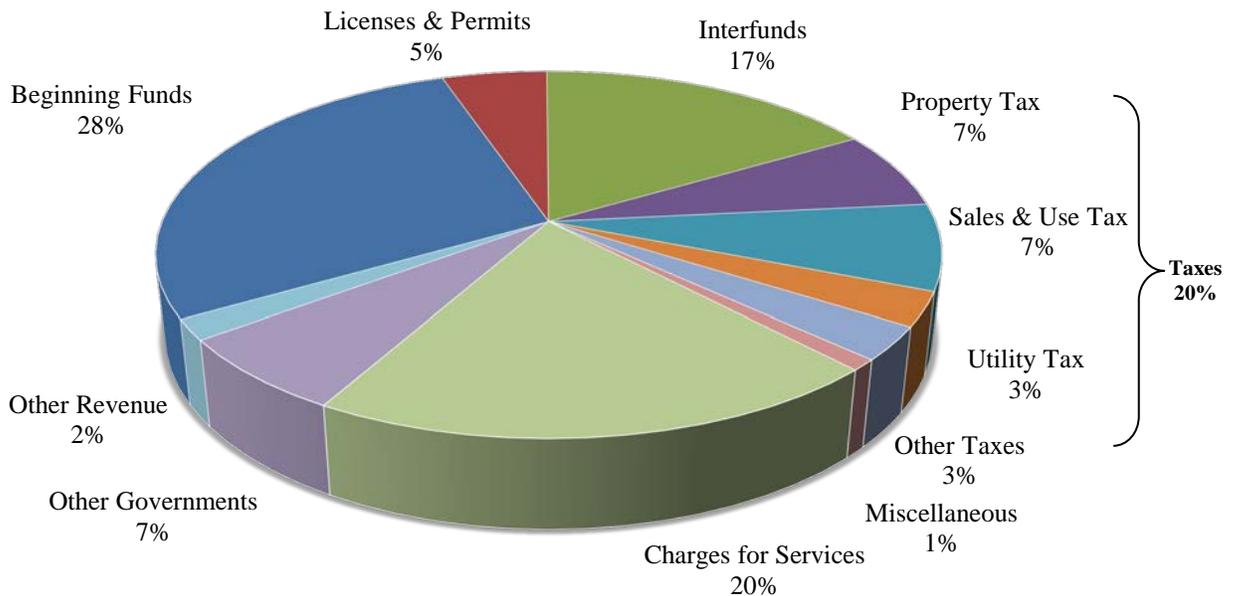
The City of Redmond is a non-charter code city with authority to levy or assess all revenues generally available to all classes of cities and towns in Washington State. The government-wide financial statements in the City’s Annual Financial Report are reported using the economic resources measurement 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

The Revenue and Expenditure Summary includes a discussion of major revenues utilized by the City and information on major factors affecting those sources.

Total revenues over the biennium equal \$797.7 million, including beginning fund balances and transfers; this is an approximate 17% increase over the current 2017-2018 biennium. The budget includes a series of transfers between the General Fund and capital funds, capital maintenance and construction funds and between capital construction funds for various projects. This has the effect of double counting these amounts. The budget includes a 1% property tax increase, a 3% cable services utility tax increase, an inflationary increase on the business tax and 2% and 4% water and wastewater utility rate increases respectively. The components of the City’s 2019-2020 revenue sources are shown in the graph below.

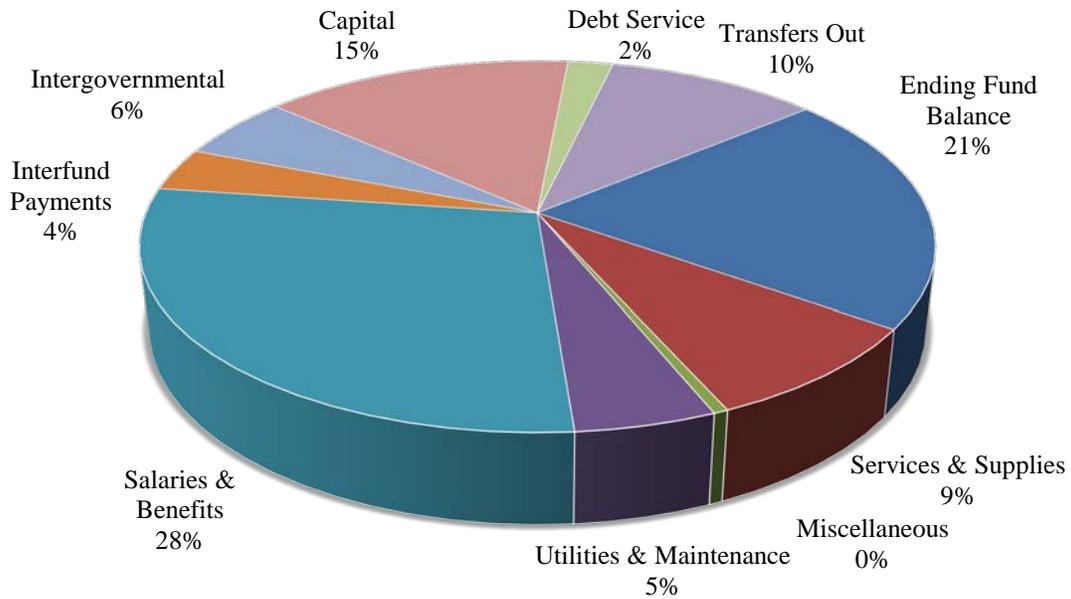
2019-2020 Revenues by Type
All Funds
 (\$797.7 million)



On the expenditure side, in the 2019-2020 Budget, the General Fund has increased to support investments in strategic technology solutions, addresses development review service demands, makes investments in environmental sustainability and safety practices and programs. In other funds, specifically capital, the budget has increased due to maintenance and renovation of City buildings,

infrastructure improvements that are needed to bring light rail to Redmond and commitments to the City’s vision of two vibrant urban centers and connected neighborhoods. In addition, the budget conforms to 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.)

2019-2020 Expenditures by Type
All Funds
 (\$797.7 million)



As in most service organizations, salary and benefit costs make up most of budgeted expenditures. The number of full time equivalent (FTE) employees are expected to increase by 5.82. This is a combination of adding 1.32 Maintenance Technician positions and 2.00 Program Coordinator positions to Parks, a 0.50 Support Services Specialist position in Police, a 1.00 Engineer position in Public Works (fully funded within Capital Investment Projects) and a 1.00 Business Analyst position in Human Resources. The Parks and Police positions are budget neutral as they will be funded via a conversion of funding for supplemental positions to regular positions.

Challenges to balancing the budget were met through a variety of reductions that focused rightsizing resources, evaluating programs, seeking resource leverage opportunities, building new community partnerships, gaining additional efficiencies in current operations, increases in City revenues and eliminating some new requests. Adjustments to expenditures include:

- Aligning budget requests with the City’s key strategic initiatives;
- Increasing or repurposing staffing to focus on priority issues, creating more effective and efficient processes, meeting new regulations, maintaining recently constructed capital

Department	2019-2020 FTE	Additions
Parks		3.32
Police		0.50
Human Resources		1.00
Public Works		1.00
Total		5.82
Conversion from Supplemental to Regular		(3.82)
Net Total Additional FTEs		2.00

improvements and increasing levels of service for communications, environmental sustainability and records management;

- Continuing to make investments in technology, the environment and human service programs; and
- Maintaining reserves and contingencies and planning for Redmond’s future.

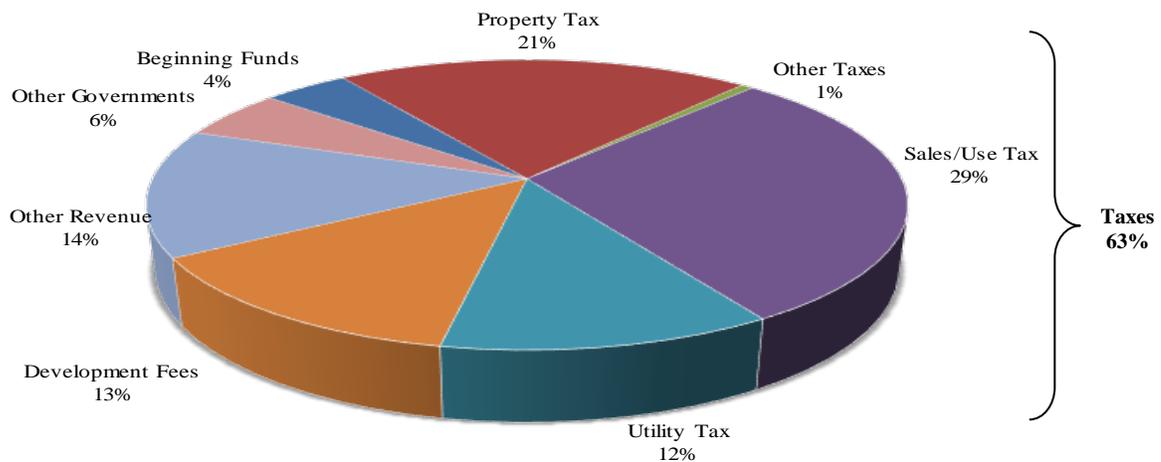
More detail of changes can be found in each offer in the priority sections of the budget.

General Fund Revenues

General Fund operating revenues are forecasted to grow from \$170.6 million in 2017-2018 to an estimated \$189.5 million in 2019-2020, a change of 11% excluding the beginning fund balance, as a result of increases in development related activities, cable tax and sales tax. Current projections forecast the 2019-2020 beginning fund balance to be approximately \$8.9 million which includes the Economic Contingency set by policy at 4% or \$3.3 million. This is in addition to the General Fund Operating Reserves set by policy at 8.5% or \$7.5 million.

2019-2020 General Fund Revenue by Type

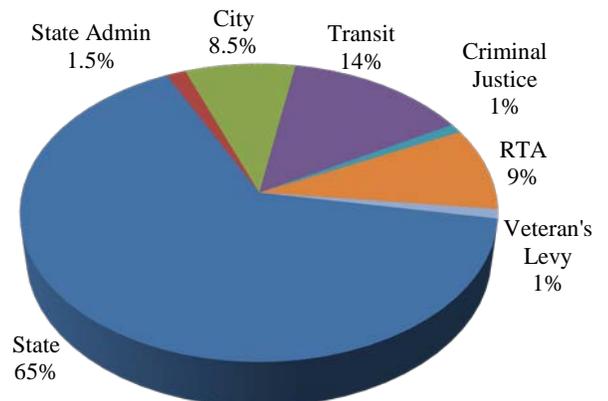
*The General Fund supports basic operations of the City (Police, Fire, Public Works, Parks & Recreation, Planning, Human Resources, Finance, Technology & Information Services and Administration)
(\$198.4 million)*



Sales Tax

Sales tax represents 29% or \$57.7 million of the City’s General Fund, making it the Fund’s largest revenue source. The overall sales tax rate for Redmond totals 10% of which 0.85% is distributed to the City for general government purposes and 0.10% for criminal justice programs. Most of the sales tax collected in Redmond is distributed to other jurisdictions. Over the biennium, sales tax is projected to grow by 10% in 2019 and 2020 compared to forecasted estimates in the 2017-2018 biennium. Much of this growth is due to one-time sales tax on construction for major development projects.

Distribution of Sales Tax



Sales Tax	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
(thousands)	23,756	26,301	25,652	26,699	28,326	29,381
% Change	15.6%	10.7%	-2.5%	4.1%	6.1%	3.7%

Property Tax

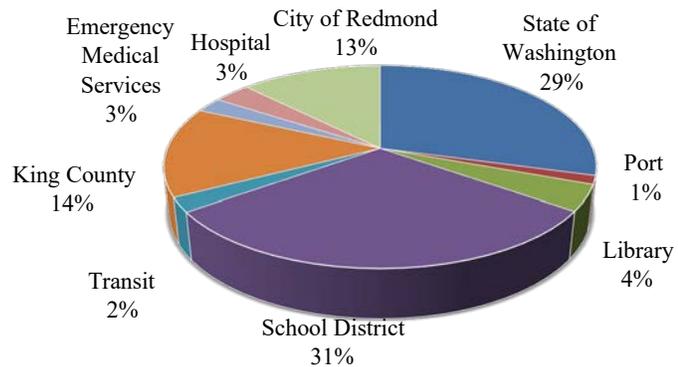
Redmond currently receives approximately \$1.15 per \$1,000 of assessed valuation from property owners located within the City limits. This equates to \$41.3 million over the 2019-2020 biennium and assumes a Council approved 1% increase each year. Detailed below are historical collections of property taxes in Redmond. The additional amounts in excess of the 1% allowed by State legislature are attributable to revenues from new construction, annexations and the collection of unpaid taxes from previous years.

Property Tax	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
(thousands)	17,380	17,743	19,047	19,535	20,280	21,033
% Change	4.0%	2.1%	7.3%	2.6%	3.8%	3.7%

Note: 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 property owners pay in King County. The total property tax rate includes additional levies that are earmarked for the State, public schools, Emergency Medical Services (EMS), hospitals, local libraries, King County and the Port of Seattle.

2018 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. In 2015, the City imposed a new 3% utility tax on cable television services within the City and will increase the tax another 3% to 6% for 2019 and 2020. Illustrated below are the utility taxes Redmond levies and the amount expected to be collected in 2019 and 2020.

Utility Tax (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Electric Tax	5,820	5,831	5,954	6,073	6,195	6,319
Garbage	592	735	840	865	891	918
Natural Gas	1,065	966	1,158	1,180	1,202	1,225
Telephone/Cellular	2,593	2,434	2,340	2,387	2,435	2,483
Cable ¹	361	664	503	513	1,047	1,068
Other Taxes	610	591	556	581	598	615
Totals	11,041	11,221	11,351	11,599	12,368	12,628

1. In 2015, the City instituted a 3% utility tax on cable services. The percentage imposed will be raised another 3% to a total of 6% in 2019.

Development Revenue

A development user fee study approved in 2011 enacted a revised fee structure targeting full cost recovery for all development related fees. Council is in the process of approving updated user fees; conservative estimates were used. The forecasted revenue for this biennium assumes a continuation of this policy and factors in the development activity currently being experienced by the City. In 2019 and 2020, fees for business licenses were increased by an estimated CPI of 2.4%, which brought the fee collected in the General Fund from \$48.00 per FTE to \$49.00 and \$50.00 per FTE in 2019 and 2020, respectively.

Development revenues in the 2019-2020 Budget are projected to grow 6.5% compared to 2018 estimates followed by a 3.7% increase in 2020.

Development Related Fees (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Plan Review ¹	1,270	1,362	1,240	1,200	1,204	1,218
Plan Checks	448	453	405	400	602	604
Mixed Use Permits	681	1,367	1,897	1,800	2,040	2,345
Residential Permits	1,011	1,042	713	1,000	750	754
Commercial Permits	1,459	1,292	1,506	400	1,758	1,779
Plumbing/Electric ²	1,965	2,211	2,591	3,479	2,526	2,533
Other License/Permits	4,604	4,568	5,077	5,571	5,867	6,056
Totals	11,438	12,295	13,429	13,850	14,747	15,289

1. Includes building inspection and plan reviews.
2. Includes heating, plumbing and electrical permits.

Other General Fund Revenues

Other revenues collected by the City include intergovernmental revenue from other jurisdictions, such as the State or County, 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)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Fines/Forfeits	519	457	407	511	692	698
State Entitlements	1,722	1,905	1,973	1,729	2,011	2,033
Intergovernmental	10,392	9,688	10,015	8,021	10,988	11,215
Miscellaneous	3,250	3,436	3,678	4,777	4,713	4,643
Totals	15,883	15,486	16,073	15,038	18,404	18,589

Broader Economic Context

As the broader economy recovers, the Gross Domestic Product (GDP) shows growth and consumer spending continues to strengthen. Since mid-2015, retail activity has shown steady improvement and construction continues to surge.

In Redmond, it appears the rate of economic growth continues at a steady pace with a surge in the construction sector. Similar to past budgets, the 2019-2020 plan is built on a conservative forecast with

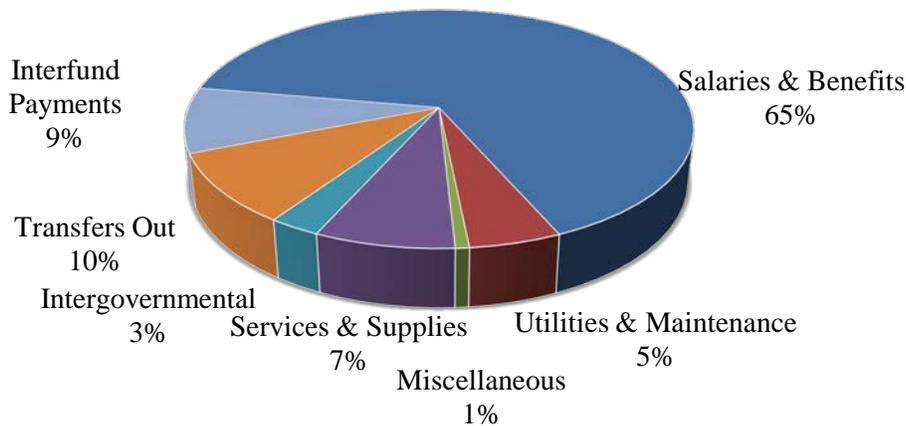
modest growth in sales tax and licenses and permits (which is consistent with the Council’s financial policies on revenues).

General Fund Expenditures

The \$198.2 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 biennial budget supports 711.92 full time equivalent (FTE) employees including an increase of 5.82 FTEs from the adjusted 2017-2018 Budget. Of the 5.82 FTE additions 3.82 are funded via conversions of supplemental positions, and are therefore budget neutral. Transfers to other funds constitute another significant portion of General Fund costs. Transfers are made to support the City’s Capital Investment Program (CIP), Community Facilities Districts, Information Technology, Human Services, Arts, and Special Event Activity Funds.

The City is expected to end the 2017-2018 biennium with approximately \$8.9 million in one-time revenue (this is compared to the \$10.8 million carried into the 2017-2018 Budget). This money will go towards one-time uses including funding the economic contingency, investments in technology, studies to inform program development and capital needs, and to address maintenance needs of City facilities and infrastructure. The budget proposes funds to continue the City’s process improvement initiatives and to focus on cultural inclusion programs. The budget also supports the historical transfers to the City’s Capital Investment Program as provided for in the Financial Policies with additional money being contributed to maintenance of City facilities.

General Fund Expenditures by Type
(\$192.7 million excluding fund balance)



Salaries and Benefits

Overall, in a budget to budget comparison, salary and benefit costs are projected to increase by 11% 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 2019-2020 biennium are market adjustments, State retirement costs, worker’s compensation insurance and additional staff required for large development agreements.

Medical rates are budgeted to decrease 9% after an analysis of reserves in the Medical Self-Insurance Fund. 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 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 \$18.7 million. These transfers include Human Services, Arts and Community Events, City Hall maintenance as well as contributions to the Capital Investment Program (CIP), equipment replacement and reserves. CIP contributions have increased by approximately 14% or \$1 million from the 2017-2018 Budget due to increased revenues in the General Fund of which 5% is transferred to the Capital Investment Program.

Services & Supplies

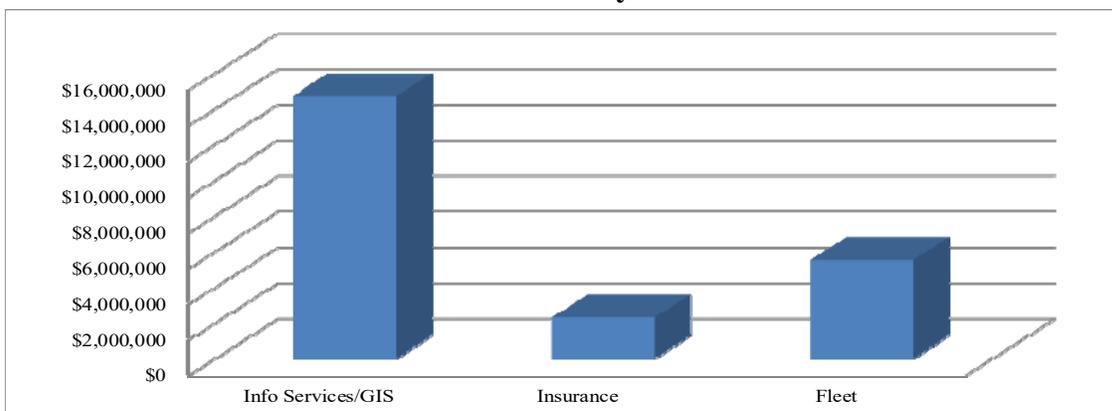
The services and supply category includes expenditures, such as operating supplies, professional services, legal, travel, training and postage. Professional services have increased 56% or \$2.4 million for 2019-2020 due primarily to studies for the North-South Corridor, urban design standards, safety, compensation and environmental sustainability, new peer support program, crucial conversation training costs, community center planning (previously in capital fund) and paralegal assistance for real property transactions.

Services and Supplies (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Supplies	1,656	1,810	1,902	1,997	2,009	1,985
Legal	438	303	327	341	500	507
Professional Services	1,744	2,225	2,063	2,207	3,822	3,103
Communication	384	419	440	467	769	768
Rentals	62	35	63	77	75	60
Equipment & Software	79	65	136	166	28	17
Other Services & Charges	1,466	1,142	1,147	1,287	1,512	1,410
Totals	5,829	5,999	6,078	6,542	8,715	7,850

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 10.5% or \$1.6 million. The increase is due to both one-time and ongoing transfers to Technology and Information Services to support continuation of technology efforts, strategic system investments and licensing agreements. 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 government agencies for services, such as fire dispatch, jail and court services. Redmond currently contracts with Northeast King County Regional Public Safety Communications Agency (NORCOM) for fire dispatch services and with the South Correction Entity (SCORE) for jail services. For 2019-2020, dispatch services have increased slightly due to increased call volume.

Intergovernmental (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Jail	850	1,078	837	865	853	861
Dispatch	648	688	576	595	616	633
Court	619	557	634	740	750	750
Other ¹	311	253	485	492	501	469
Totals	2,428	2,576	2,532	2,692	2,720	2,713
1. Includes election services, State audits, fire training and human 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 and technology applications. The forecasted increases for utilities are shown in the table below, as well as the historical and projected costs for utilities, repairs and maintenance line items.

Projected Utility Rate Increases

Utilities	Projected	
	2019	2020
Telephone	2.00%	2.00%
Cable	0.00%	0.00%
Electricity	0.00%	0.00%
Natural Gas	0.00%	0.00%
Garbage	2.80%	2.80%
Stormwater	0.00%	0.00%
Water	2.00%	2.00%
Wastewater	4.00%	4.00%

Utilities, Repairs and Maintenance (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Utilities	2,865	2,927	2,856	3,027	3,150	3,203
Repairs and Maintenance	1,299	1,287	1,916	1,971	1,765	1,675
Totals	4,164	4,214	4,772	4,998	4,915	4,878

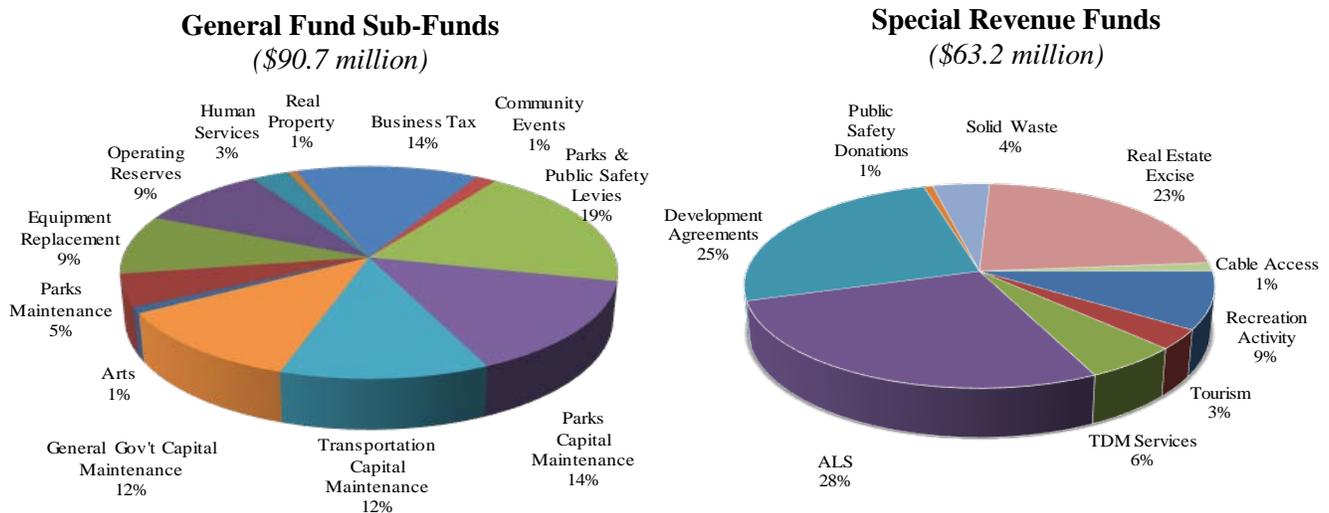
Miscellaneous

The last category of expenditures, miscellaneous, includes the economic contingency, capital purchases, tuition, advertising, bank fees for acceptance of credit card payments and other expenditures.

GENERAL FUND SUB-FUNDS AND SPECIAL REVENUE FUNDS

Special revenue funds account for revenues and expenditures that are restricted by State law for a specific use. Examples of some larger special revenue funds are Advanced Life Support (ALS) which is supported by the Emergency Medical Services (EMS) Levy and the Real Estate Excise Tax Fund which collects real estate excise tax to be used toward capital investment. Special revenue funds in the 2019-2020 Budget total \$63.1 million (including transfers and ending fund balances) and are illustrated below.

In comparison, the sub-funds of the General Fund total \$90.7 million and include the major maintenance funds for each of the General Government CIP functional areas, the public safety levy passed by voters in 2007, as well as funds used to replace fire and general City equipment. Following the illustration below is a discussion of the 2019-2020 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 Advanced Life Support consortium made up of Redmond, Kirkland, Woodinville, Duvall, Fall City and unincorporated areas of King County surrounding those communities. An Emergency Medical Services (EMS) property tax is paid by all property owners in King County to 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 2013 and equal \$17.4 million for the 2019-2020 biennium.

Public Safety and Parks Levy Funds

In 2007, Redmond voters passed special property tax levies to support Public Safety 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 Levies (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Public Safety Levy	5,044	5,471	5,680	5,342	6,194	6,995
Parks Levy	345	366	312	406	475	492
Totals	5,388	5,836	5,991	5,747	6,669	7,487

Note: Excludes fund balances

Reserve Funds

The City maintains accounts dedicated to supporting the City's required reserves. According to fiscal policies, the City will maintain General Fund reserves to mitigate a significant crisis, a Law Enforcement Officers and Firefighters (LEOFF 1) reserve to pay medical costs for retirees under the LEOFF 1 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 City vehicles.

Operating Reserve Fund Balances (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
General Fund Reserve	6,070	25	6,430	-	7,067	-
LEOFF 1 Reserve	613	40	757	-	709	40
Capital Equipment Reserve	3,061	-	2,933	-	2,723	-
Fire Equipment Reserve	4,553	-	1,907	-	2,578	-
Totals	14,297	65	12,028	-	13,077	40

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 refinance and purchase of the City Hall building, Bear Creek Parkway and Couplet Conversion projects. These debt obligations total \$11.6 million over the biennium.

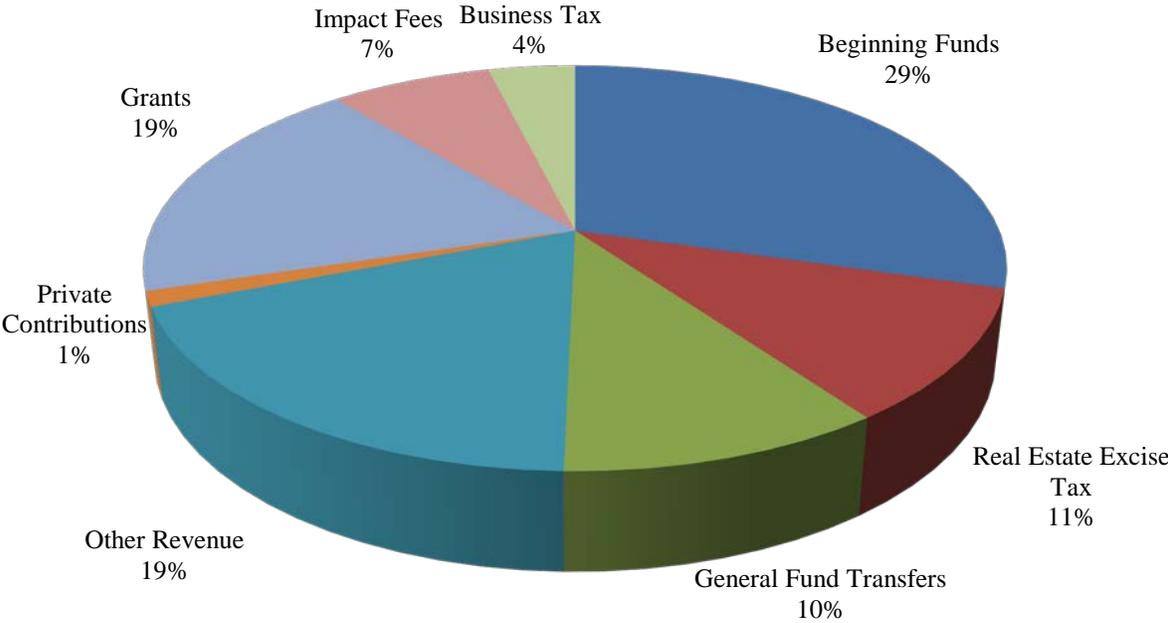
CAPITAL INVESTMENT PROGRAM (CIP)

In the 2019-2020 Budget, Redmond has worked hard to strengthen the alignment between the CIP 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 areas. While there are infrastructure and capital needs beyond the urban centers, capital projects are 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 while protecting the character of Redmond's established neighborhoods.

Capital Investment Program projects range from major maintenance of streets, sidewalks, utility and building infrastructure improvements to mobility improvements in the urban centers. 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 \$96.9 million of 2019-2020 general CIP revenues. Other CIP revenues include private contributions and interest earnings.

Total 2019-2020 General CIP Revenues
(\$111 million including fund balance)



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 investments. REET collections have grown steadily since the significant decline in 2009. Estimates in the 2019-2020 Budget project this revenue will increase slightly from its historical base of \$4.7 million to \$5.0 million per year.

Business Tax (BTI)

The City assesses a per employee fee to businesses operating in Redmond to support transportation and transportation demand management investments. In 2015 a \$7.00 increase to this fee was adopted, bringing the total fee from \$57.00 to \$64.00 per full time equivalent employee, and has been indexed to inflation by 2.4% each year, bringing the total to \$66.00 in 2019 and \$67.00 in 2020. The long-term growth in the revenue is projected to be approximately 1.7%, 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, \$1.4 million annually of sales tax on construction goes to support the debt service on the City Hall building, as well as \$300,000 per year for pavement management projects.

Impact Fees

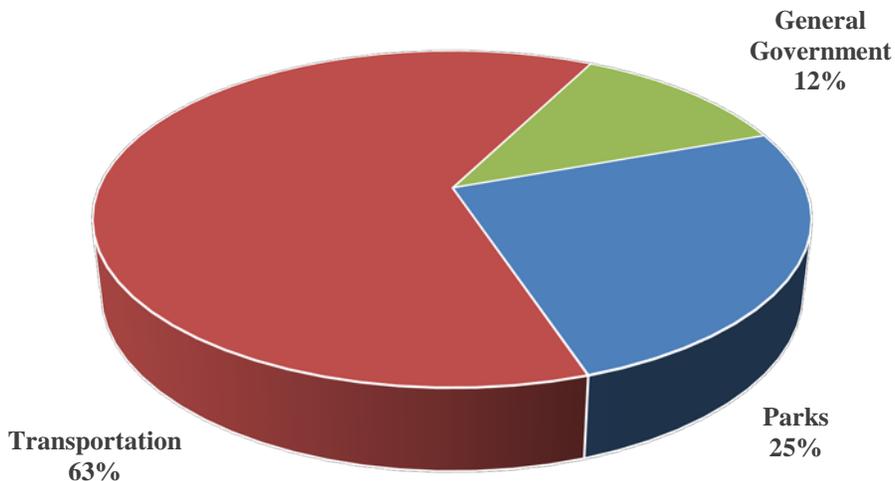
The City collects impact fees from developers for transportation, fire and parks. These impact fees are restricted to capacity building projects that mitigate the impacts of growth in the community. In 2016 these fees we increased to compensate for the capacity of the existing infrastructure for transportation, fire and parks that the development will utilize.

CIP Revenues (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
REET	7,183	8,250	6,160	6,415	5,015	5,015
Business Tax	4,979	5,066	5,404	5,472	5,538	5,604
General Fund Transfer	4,815	4,994	5,357	17,987	4,006	7,450
Impact Fees	1,652	10,325	4,150	8,830	3,838	3,842
Totals	18,631	28,635	21,071	38,705	18,397	21,911

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

A significant portion of the biennial CIP has been dedicated to projects in the two urban centers, such as the Adaptive Signal System Project, senior center renovations and seismic upgrades, the Connecting Washington Project and the 152nd Avenue Northeast Improvements in the Overlake area and maintenance projects in established neighborhoods. Expenditures by functional allocation are shown below.

2019-2020 CIP Expenditures by Functional Area
 (\$85.1 million excluding fund balance)



ENTERPRISE FUNDS

Water, Wastewater and Stormwater Revenue

Water, Wastewater and Stormwater fees fund most of the costs associated with providing these services in the community. (Other sources include development related revenues, grants and interest earnings.) Total Water/Wastewater and Stormwater revenues (including the Novelty Hill Service Area and excluding revenue bond proceeds and beginning fund balances) are expected to increase from a budgeted \$113.4 million to \$123.7 million, a 9.1% increase. Included 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.

City policy calls for a rate update to be performed in conjunction with the adoption of each biennial budget, this update occurred in July 2018. The table on the next page reflects the rates recommended in the 2019-2020 Budget.

Water and Wastewater Rate Increases

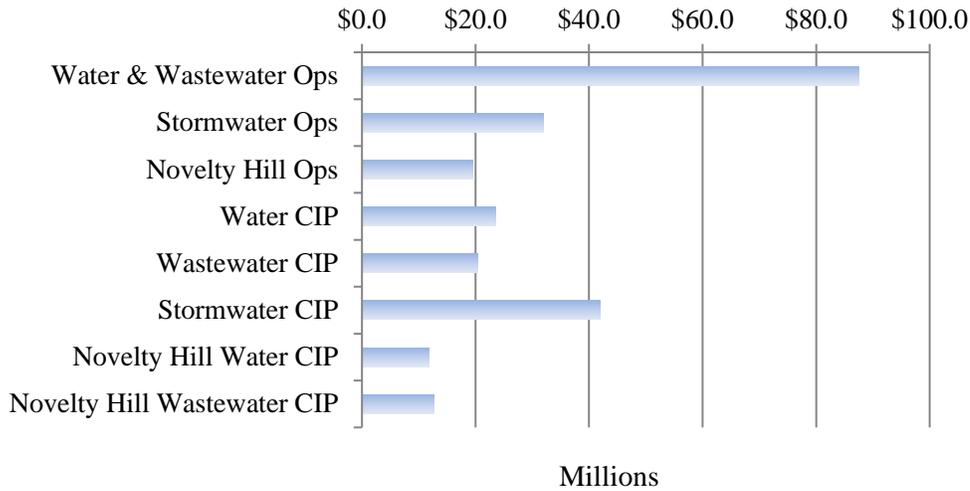
Description	2019	2020
City of Redmond		
Water	2.0%	2.0%
Wastewater	4.0%	4.0%
Novelty Hill		
Water	3.0%	3.0%
Wastewater	5.0%	5.0%

Utility Revenue (thousands)	Actual			Estimate	Forecast	
	2015	2016	2017	2018	2019	2020
Water & Wastewater	38,159	39,987	40,063	37,348	47,357	40,218
Stormwater	13,162	17,867	16,375	14,348	17,640	14,273
Novelty Hill	8,117	7,216	7,446	3,800	11,411	8,060
Totals	59,438	65,070	63,884	55,496	76,408	62,551
Note: Excludes fund balances.						

Water, Wastewater and Stormwater Expenditures

Money spent to support utility operations and capital investment programs (CIP) is separated into eight Enterprise funds Water and Wastewater Operations, Water CIP, Wastewater CIP, Stormwater Operations, Stormwater CIP, and Novelty Hill Service Area Water and Wastewater Operations, Novelty Hill Water CIP and Novelty Hill Wastewater CIP. The total budget for all eight funds equals \$249.5 million (including ending fund balance and transfers) with \$139 million dedicated to operations and \$110.5 million earmarked for capital investments. Included in the utility capital investments funds are

expenditures to support the Downtown and Overlake Urban Center vision, environmental enhancements, stormwater controls and pump station improvements (see CIP section for more detail).



Prospects for the Future

In the City’s long range forecast, salary and benefit expenditures will continue to be the largest expenditures and will rise approximately 4.5% - 5.5% in future years, net of the large development agreements compensation costs. Contributions to the State retirement funds, overtime and medical costs including workers compensation are the main drivers of these expenditures.

The City will continue to vigilantly seek innovations, efficiencies and cost containment as structural realities continue to put pressure on citywide revenues. Past cost containment measures and implementation of innovations and Lean process efficiency improvements will help Redmond manage expenditure increases into the future. Concentration on monitoring outcomes and the long range strategic vision and key strategic initiatives on a consistent basis, will keep Redmond moving forward toward the vision of a community with two vibrant urban centers and thriving connected neighborhoods.

CITYWIDE BUDGET SUMMARY
2019-2020 ADOPTED BUDGET
CITY OF REDMOND

Fund Number	Fund	2015-2016 Budget	2017-2018 Budget	2019-2020 Budget	Budget to Budget Difference	Percent Change
100	GENERAL FUND	\$168,766,207	\$181,486,732	\$198,398,969	\$16,912,237	9.3%
FUND SUB-FUNDS						
011	Arts Activity	\$911,612	\$883,326	\$793,530	(\$89,796)	-10.2%
012	Parks Maintenance & Operations	\$3,867,536	\$4,267,701	\$4,518,116	\$250,415	5.9%
013	Special Events	\$919,656	\$968,514	\$1,353,513	\$384,999	39.8%
019	Human Services	\$1,724,440	\$2,350,947	\$2,537,786	\$186,839	7.9%
020	Fire Equipment Reserves	\$5,768,533	\$2,825,548	\$3,611,734	\$786,186	27.8%
021	Operating Reserves	\$7,076,774	\$7,903,527	\$8,675,365	\$771,838	9.8%
027	Capital Equipment Reserve	\$5,079,905	\$6,388,142	\$4,577,619	(\$1,810,523)	-28.3%
030	Business Tax	\$9,855,781	\$11,602,099	\$12,400,003	\$797,904	6.9%
031 ¹	Real Property	\$171,407	\$2,237,226	\$571,689	(\$1,665,537)	-74.4%
035 ²	Public Safety Levy	\$15,913,503	\$15,050,443	\$15,701,385	\$650,942	4.3%
037	Parks Levy	\$1,310,363	\$1,319,458	\$1,388,913	\$69,455	5.3%
095	Parks Maintenance Projects	\$1,567,671	\$4,773,082	\$13,229,735	\$8,456,653	177.2%
096	Transportation Maintenance Projects	\$8,593,471	\$6,138,701	\$10,772,857	\$4,634,156	75.5%
099	General Government Maintenance Projects	\$10,003,828	\$18,637,895	\$10,545,948	(\$8,091,947)	-43.4%
	Subtotal - General Fund Sub-funds	\$72,764,480	\$85,346,609	\$90,678,193	\$5,331,584	6.2%
GRAND TOTAL GENERAL FUND		\$241,530,687	\$266,833,341	\$289,077,162	\$22,243,821	8.3%
SPECIAL REVENUE FUNDS						
110	Recreation Activity	\$6,066,254	\$6,556,171	\$5,728,157	(\$828,014)	-12.6%
115 ³	Development Review	\$2,249,142	\$6,640,007	\$15,901,233	9,261,226	139.5%
117	Cable Access	\$1,149,118	\$910,308	\$862,187	(48,121)	-5.3%
118	Transportation Demand Management	\$3,721,356	\$4,074,455	\$3,580,561	(493,894)	-12.1%
122	Advanced Life Support (ALS)	\$15,115,172	\$15,706,190	\$17,354,006	1,647,816	10.5%
124	Aid Car Donation	\$536,645	\$345,392	\$451,485	106,093	30.7%
125	Real Estate Excise Tax (REET)	\$14,581,634	\$19,171,816	\$14,416,884	(4,754,932)	-24.8%
126	Drug Enforcement	\$64,044	\$141,133	\$126,056	(15,077)	-10.7%
131	Hotel/ Motel Tax	\$1,273,411	\$1,657,972	\$1,996,843	338,871	20.4%
140	Solid Waste/ Recycling	\$2,183,317	\$2,583,553	\$2,834,067	250,514	9.7%
	Subtotal - Special Revenue Funds	\$46,940,093	\$57,786,997	\$63,251,479	\$5,464,482	9.5%
DEBT SERVICE FUNDS						
233	City Hall/ Bear Creek Parkway/ Couplet Conversion	\$41,293,013	\$13,445,884	\$11,565,451	(1,880,433)	-14.0%
	Subtotal - Debt Service Funds	\$41,293,013	\$13,445,884	\$11,565,451	(\$1,880,433)	-14.0%
CAPITAL INVESTMENT PROGRAM (CIP) FUNDS						
315	Parks CIP	\$17,242,559	\$23,039,624	\$12,628,018	(10,411,606)	-45.2%
316	Transportation CIP	\$50,482,548	\$71,927,772	\$58,738,576	(13,189,196)	-18.3%
319	General Government CIP	\$16,479,464	\$9,674,280	\$5,464,802	(4,209,478)	-43.5%
	Subtotal - CIP Funds	\$84,204,571	\$104,641,676	\$76,831,396	(\$27,810,280)	-26.6%
COMMUNITY FACILITIES DISTRICT (CFD) FUNDS						
361 ³	CFD 2014-1	\$0	\$31,634,236	\$22,491,223	(\$9,143,013)	-28.9%
362 ⁴	CFD 2016-1	\$0	\$24,618,000	\$13,188,657	(11,429,343)	-46.4%
	Subtotal - CFD Funds	\$0	\$56,252,236	\$35,679,880	(\$20,572,356)	-36.6%

CITYWIDE BUDGET SUMMARY
2019-2020 ADOPTED BUDGET
CITY OF REDMOND

Fund Number	Fund	2015-2016 Budget	2017-2018 Budget	2019-2020 Budget	Budget to Budget Difference	Percent Change
ENTERPRISE FUNDS (UTILITIES)						
401	Water/ Wastewater M&O	\$84,132,881	\$89,390,099	\$87,575,289	(\$1,814,810)	-2.0%
402	Novelty Hill M&O	\$17,298,194	\$20,130,397	\$19,470,685	(659,712)	-3.3%
403	Water CIP	\$15,947,111	\$20,747,220	\$23,579,167	2,831,947	13.6%
404	Wastewater CIP	\$11,939,495	\$13,413,702	\$20,400,971	6,987,269	52.1%
405	Stormwater M&O	\$35,427,924	\$33,706,365	\$31,912,958	(1,793,407)	-5.3%
406	Stormwater CIP	\$36,985,255	\$45,798,908	\$41,951,620	(3,847,288)	-8.4%
407	Novelty Hill Water CIP	\$7,629,231	\$8,871,686	\$11,824,546	2,952,860	33.3%
408	Novelty Hill Wastewater CIP	\$8,092,217	\$9,459,349	\$12,681,208	3,221,859	34.1%
Subtotal - Enterprise Funds		\$217,452,308	\$241,517,726	\$249,396,444	\$7,878,718	3.3%
INTERNAL SERVICE FUNDS						
501	Fleet Maintenance	\$11,224,194	\$11,137,496	\$10,502,978	(\$634,518)	-5.7%
510	Insurance Claims & Reserves	\$3,321,521	\$3,557,262	\$3,507,936	(49,326)	-1.4%
511	Medical Self Insurance	\$32,804,070	\$30,256,723	\$36,606,038	6,349,315	21.0%
512	Workers' Compensation	\$3,030,255	\$4,197,634	\$3,867,939	(329,695)	-7.9%
520	Information Technology	\$11,540,456	\$14,895,438	\$17,385,504	2,490,066	16.7%
Subtotal - Internal Service Funds		\$61,920,496	\$64,044,553	\$71,870,395	\$7,825,842	12.2%
FINAL BUDGET - ALL FUNDS		\$693,341,168	\$804,522,413	\$797,672,206	(\$6,850,207)	-0.9%

Footnotes:

1. Fund 031 was created to manage and direct unencumbered proceeds from the sale of real property.
2. Fund 035 is comprised of Police Levy fund and Fire Levy fund.
3. Fund 115 was reactivated due to Development Agreements established in 2014.
4. Fund 361 was established July 15, 2014 by Council Resolution No. 1411 to fund improvements at the Overlake Transit Center (OTC).
5. Fund 362 was established July 21, 2016 by Council Resolution No.1453 to fund multimodal improvements, intersection improvements and the NE 40th Street Trunkline project.

ALL FUNDS SUMMARY

	2015-2016 Actual	2017-2018 Budget	2017-2018 Estimates	2019-2020 Budget	Change	Percent Change
REVENUE						
Property Tax	\$47,531,013	\$51,091,497	\$51,432,527	\$54,757,799	\$3,325,272	6.5%
Sales Tax	53,363,718	53,582,235	51,224,801	61,603,136	10,378,335	20.3%
Utility Taxes	21,059,175	22,717,294	21,813,181	23,782,952	1,969,771	9.0%
Other Taxes	26,601,152	23,113,863	24,465,637	22,354,388	(2,111,249)	-8.6%
Total Taxes	148,555,057	150,504,889	148,936,145	162,498,275	13,562,130	9.1%
Licenses & Permits	22,645,102	27,319,340	27,845,281	40,888,993	13,043,712	46.8%
Intergovernmental	19,477,515	25,942,770	24,448,832	33,095,626	8,646,794	35.4%
Charges for Services	216,564,181	213,181,772	221,312,317	234,091,965	12,779,648	5.8%
Fines & Forfeits	1,274,055	1,188,000	1,105,462	1,417,019	311,557	28.2%
Interest	2,605,854	2,371,782	4,822,255	4,306,263	(515,993)	-10.7%
Other Revenue	13,627,519	41,876,443	19,760,600	14,815,331	(4,945,269)	-25.0%
Non-Revenue	116,596,213	108,554,354	105,653,103	82,262,160	(23,390,943)	-22.1%
TOTAL REVENUE	\$541,345,497	\$570,939,350	\$553,883,995	\$573,375,631	\$19,491,636	3.5%
EXPENDITURES						
Salaries & Wages	\$113,214,518	\$124,608,243	\$120,607,456	\$138,720,920	\$18,113,464	15.0%
Overtime	6,765,845	5,090,033	6,888,229	5,509,924	(1,378,306)	-20.0%
Supplemental Help	2,716,150	3,754,170	3,136,822	3,527,054	390,232	12.4%
Other Compensation	603,232	404,471	516,562	408,110	(108,452)	-21.0%
Personnel Benefits	66,424,991	73,991,004	72,664,849	79,035,876	6,371,027	8.8%
Supplies	8,034,732	24,696,192	9,941,230	9,902,362	(38,868)	-0.4%
Professional Services	29,941,005	18,075,198	33,141,987	25,174,331	(7,967,656)	-24.0%
Communication	1,306,454	1,394,982	1,287,032	1,742,655	455,623	35.4%
Training	918,571	1,477,451	947,724	1,633,986	686,262	72.4%
Advertising	242,334	395,144	307,025	406,983	99,958	32.6%
Rentals	341,590	1,337,406	500,157	1,500,233	1,000,076	200.0%
Insurance	1,889,986	1,952,610	2,070,717	2,149,959	79,242	3.8%
Utilities	7,222,274	7,738,090	7,049,378	7,448,156	398,778	5.7%
Repairs & Maintenance	9,149,939	23,538,121	16,461,748	35,530,265	19,068,517	115.8%
Other Services & Charges	26,954,784	30,662,050	25,987,853	32,146,545	6,158,692	23.7%
Intergovernmental	39,607,119	41,107,732	40,935,097	44,450,007	3,514,910	8.6%
Capital	56,203,973	152,864,402	75,699,516	134,059,610	58,360,094	77.1%
Interfund Payments	25,370,126	26,991,532	27,184,467	29,887,506	2,703,038	9.9%
Debt Service	41,780,938	17,767,795	22,586,569	17,340,552	(5,246,017)	-23.2%
Transfers Out	83,209,964	108,078,346	102,929,610	81,880,951	(21,048,659)	-20.4%
TOTAL EXPENDITURES	\$521,898,526	\$665,924,972	\$570,844,030	\$652,455,985	\$81,611,955	14.3%
NET CHANGES	\$19,446,971	(\$94,985,622)	(\$16,960,035)	(\$79,080,354)	(\$62,120,318)	366.3%
FUND BALANCE JANUARY 1	\$181,150,259	\$233,833,063	\$241,256,610	\$224,296,575	(\$16,960,034)	-7.0%
FUND BALANCE DECEMBER 31	\$200,597,230	\$138,847,441	\$224,296,574	\$145,216,222	(\$79,080,353)	-35.3%

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

STAFFING AUTHORIZATIONS

FULL-TIME EQUIVALENTS (FTEs)

CITY OF REDMOND

	2015-2016 Budget	2017-2018 Budget	2019-2020 Budget	Budget to Budget Difference ¹
GENERAL FUND AND SUB-FUNDS				
Executive/Legal ^{4,5}	18.75	21.25	20.25	(1.00)
Finance & Information Services ⁵	30.00	0.00	0.00	0.00
Finance ⁵	0.00	29.00	29.00	0.00
Fire	132.50	135.00	135.00	0.00
Human Resources ^{2,4}	11.54	12.00	14.00	2.00
Parks & Recreation ^{4,5,7}	37.85	49.86	53.84	3.98
Planning & Community Development ^{3,5}	72.89	73.33	73.33	0.00
Police ¹	129.41	129.42	129.92	0.50
Public Works ^{5,6}	61.40	50.00	50.45	0.45
Technology & Information Services ⁵	0.00	4.00	4.00	0.00
Arts Activity	1.00	1.00	1.00	0.00
Community Events ⁷	1.00	1.00	2.00	1.00
Parks Maintenance & Operations ^{1,3,7}	10.01	11.01	11.01	0.00
GENERAL FUND AND SUB-FUNDS TOTAL	506.35	516.87	523.80	6.93
OTHER FUNDS				
Recreation Activity ^{4,7}	11.16	10.16	7.50	(2.66)
Development Agreements ⁸	6.00	37.50	37.50	0.00
Operating Grants	5.00	6.00	6.00	0.00
Advanced Life Support	31.00	31.00	31.00	0.00
Solid Waste & Recycling ⁶	3.63	3.80	3.95	0.15
Water & Wastewater ⁶	38.82	41.20	41.40	0.20
Stormwater Management	26.93	27.24	27.24	0.00
Fleet Maintenance ⁶	7.08	7.33	7.53	0.20
Worker's Compensation Insurance	0.00	0.00	0.00	0.00
Information Technology ⁵	27.00	25.00	26.00	1.00
OTHER FUND TOTAL	156.62	189.23	188.12	(1.11)
TOTAL ALL FUNDS^{1,2}	662.97	706.10	711.92	5.82
SUPPLEMENTAL FTEs⁹	54.93	47.50	45.08	(2.42)

Notes:

1. In the 2019-2020 Budget, 3.82 full time equivalent (FTE) employees were added that were offset by converting funding for supplemental staffing; this includes:
 - 1.0 FTE Program Coordinator in the Parks and Recreation Department;
 - 1.0 FTE Program Assistant in the Parks and Recreation Department;
 - 1.32 FTE Maintenance Technicians in the Parks and Recreation Department; and
 - 0.50 FTE Support Services Position in the Police Department.
2. In the 2019-2020 Budget a 1.0 FTE Business Analyst was added in the Human Resources Department.
3. In the 2019-2020 Budget the following positions were added through the repurposing of positions within the department:
 - 1.0 FTE Facilities Assistant Maintenance & Operations Manager in the Parks and Recreation Department; and
 - 1.0 FTE Senior Engineer in the Planning Department.
4. In the 2019-2020 Budget a 1.0 FTE Safety Manager was added in the Human Resources Department through the repurposing of a Deputy City Administrator in the Executive Department. (The FTE reduction in Executive is offset by the move of a Graphic Designer from Parks to Executive in the 2019-2020 Budget)
5. During 2017 and 2018 the following organizational changes were made:
 - The Technology and Information Services (TIS) Department was separated from the Finance Department;
 - A 1.0 Technology and Information Services Director was added;
 - Transportation Demand Management and Economic Development divisions moved from Executive to Planning;
 - The Customer Service division moved from the Executive Department to the Parks department;
 - The City Clerk's office moved from the TIS Department to the Executive Department;
 - Facilities Maintenance moved from the Public Works Department to the Parks and Recreation Department; and
 - Real Property moved from the Public Works Department to the Finance Department.
6. Several positions were reallocated within the Public Works Department to reflect division needs.
7. Several positions were reallocated within the Parks and Recreation Department to reflect division needs.
8. In 2018, Council approved additional staff in relation to Private Development Agreements.
9. Includes one time funding for staffing to support public records requests and ongoing supplemental funding to support videography of Council meetings and the maintenance of new capital projects.

