



Memorandum

Date: 12/6/2022
Meeting of: City Council

File No. AM No. 22-183
Type: New Business

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Finance	Chip Corder	425-556-2189
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DEPARTMENT STAFF:

Finance	Kelley Cochran	Deputy Finance Director
Finance	Haritha Narra	Financial Planning Manager

TITLE:

Adoption of 2023-2024 Final Budget Components:

- a. Ordinance No. 3106: An Ordinance of the City of Redmond, Washington, Levying Property Taxes for the City of Redmond for the Fiscal Year Commencing January 1, 2023, on All Property, Both Real and Personal, in Said City Which is Subject to Taxation for the Purpose of Paying Sufficient Revenue to Carry on General Operations and Recognizing Voter Approved Levy Lid Lifts for Public Safety and Parks for the Ensuing Year as Required by Law
- b. Ordinance No. 3107: An Ordinance of the City of Redmond, Washington, Amending Sections 5.04.070 and 5.04.080 of the Redmond Municipal Code, Increasing the Business License Fee as Required By RCW 35.90, Municipal Business Licensing, and Setting an Effective Date
- c. Ordinance No. 3108: An Ordinance of the City of Redmond, Washington, Amending RMC 13.16.020, 13.16.030, and 13.16.040, Increasing Water, Hydrant, and Sewer Rates and Charges; Providing for Severability, and Establishing Effective Dates
- d. Ordinance No. 3109: An Ordinance of the City of Redmond, Washington, Amending Subsection 13.18.050(B) of the Redmond Municipal Code in Order to Increase the Base Rate Amount for Monthly Stormwater Utility Service from \$16.56 Per Impervious Unit to \$16.73 Per Impervious Unit in 2023 and \$16.89 Per Impervious Unit in 2024
- e. Ordinance No. 3110: An Ordinance of the City of Redmond, Washington, Adopting the Final 2023-2024 Biennial Budget of the City Commencing January 1, 2023

OVERVIEW STATEMENT:

Described below are the various ordinances related to the 2023-2024 Final Budget.

2023 Property Tax Levy Ordinance

Pursuant to state law, the City of Redmond may levy property taxes annually for general operations and the payment of debt service on voted bond issues (if any). The Revised Code of Washington (RCW) 85.55.005

allows a jurisdiction over 10,000 in population to raise property taxes by the lesser of the implicit price deflator (IPD) or 1% plus new construction, annexations, and other miscellaneous adjustments (e.g., refunds) with a simple majority vote. Given that the IPD was determined to be 6.457% by the Bureau of Economic Analysis in September, the 1% limitation applies to the 2023 levy. Ordinance No. 3106 (Attachment A) sets the 2023 total property tax levy at \$31,642,657, with \$24,951,118 for general operations and \$6,691,539 related to three levy lid lifts. Relative to the 2022 total levy, a 1% increase amounting to \$303,042 is included as well as \$997,144 from new construction and \$38,293 from prior year refunds that will be re-levied in 2023.

2023 Business License Fee Ordinance

Currently, the City assesses \$122.00 per full-time equivalent (FTE) employee doing business in Redmond. Of that total, \$52.00 per FTE goes into the General Fund to support City operations and \$70.00 per FTE is used to fund transportation capital improvements or transportation demand management projects. Ordinance No. 3107 (Attachment B) increases the business license fee in 2023 by 8.6% in accordance with the Consumer Price Index for Urban Wages Earners and Clerical Workers (CPI-W) for the Seattle/Tacoma/Bellevue region for the First Half of 2022. As a result, the business license fee is being increased from \$122.00 to \$132.00 (rounded to the nearest dollar) per FTE in 2023, with \$56.00 per FTE going to the General Fund to support City operations and \$76.00 per FTE dedicated to funding transportation capital improvements or transportation demand management projects.

Going forward, the business license fee for the coming year will be adjusted annually based on the current year's First Half CPI-W for the Seattle/Tacoma/Bellevue region.

2023-2024 Water/Wastewater Rate Ordinance

Ordinance No. 3108 (Attachment C) adjusts the 2023 and 2024 water and wastewater rates for the Redmond and Novelty Hill service areas as follows:

Service Area	2023 Percent Increase	2024 Percent Increase
Redmond Service Area:		
Water	5%	5%
Wastewater	3%	3%
Novelty Hill Service Area:		
Water	8%	8%
Wastewater	6%	6%

The King County wastewater treatment charge, which is a pass-through charge, will increase 5.75% in 2023 and 6.5% in 2024.

2023-2024 Stormwater Rate Ordinance

Ordinance No. 3109 (Attachment D) increases the stormwater rates by 1% in 2023 and 1% in 2024.

2023-2024 Final Budget Ordinance

On October 4, 2022, the Mayor presented the 2023-2024 Preliminary Budget, 2023-2028 Capital Investment

Program (CIP), and 2023-2026 Business Technology Investment Program (BTIP) to the City Council per her authority provided in the Revised Code of Washington (RCW) 35A.34. Consistent with the City’s Budgeting by Priorities process, the operating budget was organized around the following four priorities: 1) Healthy and Sustainable, 2) Safe and Resilient, 3) Strategic and Responsive, and 4) Vibrant and Connected. Public hearings were held on July 5, August 16, October 18, November 1, and November 15, 2022 to gather public comments on the proposed budget.

Ordinance No. 3110 (Attachment E) establishes the 2023-2024 Final Budget at \$1,039,812,678. In addition, the following attachments are included:

- Attachment F: Council Parking Lot Items
- Attachment G: Council Follow-Up Items
- Attachment H: Public Comments

The following changes to the 2023-2024 Preliminary Budget were reviewed and finalized by the City Council on November 17, 2022.

Council Changes to 2023-2024 Preliminary Budget (Revenues/Fund Balance)

Description	Change to 2023-2024 Prelim Budget	Note
Eliminate one-time funding in 2024 for Permit-Related Credit/Debit Card Processing Fees service enhancement	-\$341,550	Frees up \$341,550 in one-time funding for Council budget changes
Implement a 0.1% sales tax rather than a \$20 per vehicle license fee beginning in 2024 following the creation of a Transportation Benefit District in 2023	\$4,100,000	Will generate \$5,500,000, or \$4,100,000 more than a \$20 per vehicle license fee in 2024; \$4,100,000 will be reserved for pavement management projects in 2025-2028

Council Changes to 2023-2024 Preliminary Budget (Expenditures/Reserves)

Description	Change to 2023-2024 Prelim Budget	Note
Restore \$10,000 of \$16,800 ongoing reduction to Council Administration	\$10,000	Funding source: additional property tax from new construction

Restore \$14,160 ongoing reduction to Diversity, Equity, and Inclusion (DEI) staff training	\$14,160	Funding source: additional property tax from new construction Frees up \$14,160 in one-time funding for Council budget changes
Increase salary and benefits of Chief DEI Advisor	\$57,856	Funding source: additional property tax from new construction
Add 1.0 limited duration FTE for Diversity, Equity, and Inclusion program in 2024	\$100,000	Funding source: \$100,000 of \$341,550 in available one-time funding
Consulting services for bike/walking safety infrastructure policies and strategies	\$200,000	Funding source: \$200,000 of \$341,550 in available one-time funding
911 call consulting services	\$35,000	Funding source: \$35,000 of \$341,550 in available one-time funding
Volunteer Coordinator program costs	\$5,000	Funding source: \$5,000 of \$341,550 in available one-time funding
Additional purchase cost from upgrading Public Information Officer vehicle in Police General Fleet Rightsizing service enhancement from a hybrid to a plug-in hybrid or electric vehicle	\$8,000	Funding sources: \$1,550 of \$341,550 in available one-time funding and \$6,450 of \$14,160 in available one-time funding
Net increase in M&O costs and vehicle replacement contributions from upgrading Public Information Officer vehicle in Police General Fleet Rightsizing service enhancement from a hybrid to a plug-in hybrid or electric vehicle	\$740	Funding source: additional property tax from new construction

Description	Change to 2023-2024 Prelim Budget	Note
Add 2.0 Community Care Coordinators	\$460,145	Funding source: \$460,145 of \$772,054 of property tax freed up from increase in Fire District 34 revenue
Establish a public safety reserve	\$409,855	Funding sources: \$311,909 of \$772,054 of property tax freed up from increase in Fire District 34 revenue and \$97,946 of additional property tax from new construction

Staff Changes to 2023-2024 Preliminary Budget (Revenues)

Description	Change to 2023-2024 Prelim Budget	Note
New revenue: Middle Housing grant from WA State Department of Commerce	\$120,000	General Fund; corresponding increase to expenditure budget
New revenue: King County Flood Control grant for Evans Creek Relocation project	\$750,000	Stormwater CIP Fund; no change to expenditure budget (frees up fund balance)
New revenue: 132 nd Ave NE Corridor study (City of Kirkland contribution)	\$45,000	City Water/Wastewater Operating Fund; no change to expenditure budget
New revenue: Credit/debit card processing fees in 2024 (this change is required following the Council's elimination of the \$341,550 in one-time funding in 2024 for the Permit-Related Credit/Debit Card Processing Fees service enhancement)	\$341,550	General Fund; assumes processing charge will be implemented on 1/1/24
Revenue adjustment: Fire District 34 contract revenue increase (based on finalized numbers)	\$1,097,569	General Fund
Revenue adjustment: Additional property tax from new construction	\$182,000	General Fund
Revenue adjustment: Increased investment interest projection	\$400,000	General Fund

Staff Changes to 2023-2024 Preliminary Budget (Expenditures)

Description	Change to 2023-2024 Prelim Budget	Note
Funding change: Replace \$2,729,500 transfer of 2021-2022 General Fund surplus with \$2,500,000 in 2021-2022 real estate excise tax (REET) surplus and \$229,500 in available park impact fees for the following CIP projects: • Redmond Senior & Community Center: \$1,770,500 REET + \$229,500 park impact fees • Demonstration Dog Park: \$102,000 REET • Community Garden Expansion: \$77,500 REET • High Performing Buildings: \$550,000 REET	\$0	No net budget impact; frees up \$2,729,500 in 2021-2022 General Fund surplus to be used as economic hedge in 2023-2024

Budget update/correction: Adjust risk insurance premiums based on carrier change and adjust estimated claim payments due to higher deductibles	\$2,751,021	Funding sources: 2021-2022 General Fund surplus, General Government Major Maintenance Projects Fund, Advanced Life Support Fund, Utility Operating Funds, and Fleet Maintenance Fund
Budget update/correction: Transfer available balance in Business Tax Fund to Transportation CIP Fund	\$3,712,270	
Budget update/correction: Re-allocate Senior Engineering Technician from General Fund, City Water/Wastewater Operating Fund, and Stormwater Operating Fund to Development Agreement Fund	\$0	No net budget impact; increases budget in Development Agreement Fund by \$299,762
Budget update/correction: Re-allocate Utility Maintenance Technician from Stormwater Operating Fund to City Water/Wastewater Operating Fund and Novelty Hill Water/Wastewater Operating Fund	\$0	No net budget impact; increases budget in City Water/Wastewater Operating Fund and Novelty Hill Water/Wastewater Operating Fund by \$299,098
Budget update/correction: 1.0 FTE Firefighter was inadvertently not budgeted	\$325,515	Funding source: additional Fire District 34 contract revenue

Description	Change to 2023-2024 Prelim Budget	Note
Budget update/correction: Various one-time and ongoing costs should have been included in State Regulated Utility Locates service enhancement: • One-time: vehicle, uniform, cell phone, tablet, and software • Ongoing: fleet M&O, vehicle replacement contributions, and other costs	\$57,759 \$13,355	Funding sources: City Water/Wastewater Operating Fund, Novelty Hill Water/Wastewater Operating Fund, and Stormwater Operating Fund
New service enhancement: Restore tuition reimbursement program, which was eliminated in 2021-2022 budget	\$150,000	Funding sources: 2021-2022 General Fund surplus, City Water/Wastewater Operating Fund, Novelty Hill Water/Wastewater Operating Fund, and Stormwater Operating Fund

Finally, it should be noted that the 2023-2024 budget for the Human Services Grant program does not identify specific

recipients. The appropriation is for the program.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

Receive Information **Provide Direction** **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
The ordinances related to the 2023-2024 Final Budget must be approved before the end of the year to take effect on January 1, 2023.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

Approval of the attached ordinances will establish the 2023 property tax levy, the 2023 business license fee, the 2023-2024 water/wastewater utility rates, the 2023-2024 stormwater utility rates, and the 2023-2024 final budget.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
2022
- **Outreach Methods and Results:**
Annual survey, Civic Results Team, Staff Results Team, questions submitted to bpquestions@redmond.gov [<mailto:bpquestions@redmond.gov>](mailto:bpquestions@redmond.gov), and public hearings
- **Feedback Summary:**
See Attachment E, Exhibit E-4.

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: **Yes** **No** **N/A**

Budget Offer Number:

N/A

Budget Priority:

N/A

Other budget impacts or additional costs: Yes No N/A

If yes, explain:

N/A

Funding source(s):

N/A

Budget/Funding Constraints:

N/A

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
6/14/2022	Study Session	Provide Direction
6/28/2022	Study Session	Provide Direction
7/12/2022	Study Session	Provide Direction
9/13/2022	Study Session	Receive Information
10/4/2022	Business Meeting	Receive Information
10/20/2022	Special Meeting	Provide Direction
10/25/2022	Study Session	Provide Direction
11/3/2022	Special Meeting	Provide Direction
11/7/2022	Study Session	Provide Direction
11/10/2022	Special Meeting	Provide Direction
11/15/2022	Business Meeting	Provide Direction
11/17/2022	Special Meeting	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

Per RCW 35A.34.120, the budget must be adopted by December 31, 2022.

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

- Attachment A: Ordinance for the 2023 Property Tax Levy
- Attachment B: Ordinance for the 2023 Business License Fee
- Attachment C: Ordinance for the 2023-2024 Water/Wastewater Rates
- Attachment D: Ordinance for the 2023-2024 Stormwater Rates
- Attachment E: Ordinance for the 2023-2024 Final Budget
- Attachment F: Council Parking Lot Items
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