City of Redmond

Redmond
WASHINGTON

Agenda

Study Session

Tuesday, July 28, 2026
7:00 PM

City Hall: 15670 NE 85th St; Remote: Comcast Ch. 21/321, Ziply Ch. 34, Facebook (@CityofRedmond), Redmond.gov/rctvlive, or 510-335-7371

City Council

Mayor
Angela Birney

Councilmembers
Melissa Stuart, President
Angie Nuevacamina, Vice President
Jessica Forsythe
Vanessa Kritzer
Sayna Parsi
Vivek Prakriya
Menka Soni

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AGENDA

ROLL CALL

1. 2026 Amendments to RMC 3.38 Multifamily Housing Property Tax Exemption

Department: Planning and Community Development, 30 minutes

Attachment A: Draft Ordinance

Attachment B: Discussion Matrix

Legislative History

6/16/26	Committee of the Whole - Public Safety and Human Services	referred to the City Council Study Session

2. Budget Process Update: Utility Rate Study, Long-Range Financial Strategy & Fiscal Policies

Department: Finance, 90 minutes

Attachment A: Presentation

3. Council Talk Time

Council, 10 minutes

ADJOURNMENT

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City of Redmond

15670 NE 85th Street
Redmond, WA

Memorandum

Date: 7/28/2026
Meeting of: City Council Study Session

File No. SS 26-071
Type: Study Session

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

Planning and Community Development	Carol Helland	425-556-2107

DEPARTMENT STAFF:

Planning and Community Development	Seraphie Allen	Deputy Director
Planning and Community Development	Jeff Churchill	Long Range Planning Manager
Planning and Community Development	Ian Lefcourte	Principal Planner

TITLE:
2026 Amendments to RMC 3.38 Multifamily Housing Property Tax Exemption

OVERVIEW STATEMENT:
City staff recommends that the Council adopt an ordinance amending Redmond Municipal Code (RMC) 3.38 Multifamily Housing Property Tax Exemption to add a 12-year exemption extension program to the City's existing MFTE programs. The extension would be offered to the Overlake, Marymoor, and Mixed-Use Residential Targeted Areas (RTAs).

State law (Chapter 84.14 RCW) authorizes local jurisdictions to offer property tax exemptions for projects that develop housing, including affordable housing. RMC 3.38 establishes the parameters of the City's voluntary MFTE program in support of Redmond's housing goals. These provisions establish the length and scope of tax exemptions, affordable housing requirements, process specifics, and other supporting provisions.

Redmond adopted its MFTE program in 2017. The existing program is focused on 8-year exemptions and sustains a high participation rate.

The proposed amendments are being presented to the City Council now for two reasons. First, during the Redmond 2050 Periodic Comprehensive Plan update, planning staff committed to the development community that staff would analyze the City's MFTE programs in 2026. Second, recent Washington State legislation expanded the range of MFTE program options available to local jurisdictions, creating new opportunities for program enhancements.

Earlier this year, City and ARCH staff conducted an analysis of the City's existing MFTE programs and the newly state-authorized options. The analysis evaluated the potential benefits to the financial feasibility of prototype developments in the various zones and RTAs. Findings indicated that a 12-year MFTE extension option would improve the financial feasibility of multifamily housing projects within eligible areas while also increasing the amount of affordable housing units. However, the analysis and developer feedback also confirmed that development remains challenging under current economic conditions, even with the additional MFTE incentive.

Based on these findings, staff recommend moving forward with amendments that would add a 12-year MFTE extension option for the Marymoor, Mixed-Use, and Overlake RTAs. The proposed 12-year MFTE extension option would be an additional option for development and would not replace any existing City MFTE programs. As such, the proposed amendments would create additional flexibility and tools for developers to support housing production in the City of Redmond.

The proposed amendments do not include a 20-year Transit-Oriented Development (TOD) MFTE program option. Staff believe it is prudent to defer consideration of that option until additional guidance is provided by the Washington State Department of Commerce or any potential legislative revisions are finalized, due to ambiguity in the existing text of state law.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☒ **Provide Direction** ☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
  Comprehensive Plan: policy HO-44 calls for incentive programs to increase the supply of affordable housing.
  Housing Action Plan: identifies actions to complete to pursue the City's housing goals, including updating the City's inclusionary zoning and MFTE programs.
- **Required:**
  N/A
- **Council Request:**
  N/A
- **Other Key Facts:**
  N/A

OUTCOMES:
The amendments are expected to expand the range of MFTE options available to qualifying developments, enhancing project feasibility, and incentivizing additional housing production. This could accelerate the delivery of affordable housing units and strengthen the overall affordable housing supply because qualifying for the additional MFTE options requires a greater affordable housing obligation in the development.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
  Q2 2026
- **Outreach Methods and Results:**
  Stakeholder engagement included sharing materials, gathering feedback, and holding ongoing discussions to align priorities and support informed decisions. Stakeholders included developers (approximately 25 different organizations) and staff from the Washington State Department of Commerce.
- **Feedback Summary:**
  Developer feedback central themes:

1. Current macroeconomic conditions present significant headwinds for development feasibility.
2. Concern that the proposed MFTE amendments will not sufficiently improve project financial feasibility to incentivize new development.
3. Recent MFTE legislation has introduced legal ambiguity in key areas of implementation and applicability.
4. Predictability and longer-term certainty in exemptions are increasingly critical to underwriting and project planning.

BUDGET IMPACT:

Total Cost:
$5,350,743 is the total cost of the Community and Economic Development offer, which includes the staff time to support this work.

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

Budget Offer Number:
0000304 - Community and Economic Development

Budget Priority:
Vibrant and Connected

Other budget impacts or additional costs: ☐ **Yes** ☒ **No** ☐ **N/A**
If yes, explain:
N/A

Funding source(s):
General Fund

Budget/Funding Constraints:
N/A

☐ **Additional budget details attached**

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
6/16/2026	Committee of the Whole - Public Safety and Human Services	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
9/1/2026	Business Meeting	Approve

Time Constraints:
None.

<u>ANTICIPATED RESULT IF NOT APPROVED</u>:
If not approved the code will not be updated and qualifying developments will not be able to access 12-year MFTE extensions.

<u>ATTACHMENTS</u>:
Attachment A: Draft Ordinance
Attachment B: Discussion Matrix

CODE

REDMOND CITY COUNCIL

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY OF REDMOND, WASHINGTON, AMENDING CHAPTER 3.38 OF THE REDMOND MUNICIPAL CODE TO IMPLEMENT 12-YEAR EXEMPTION EXTENSION OPTIONS, PROVIDING FOR SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City adopted the Redmond 2050 Comprehensive Plan on November 19, 2024 (Ord. No. 3181), including an updated Housing Element; and

WHEREAS, the Multifamily Housing Property Tax Exemption (MFTE) authorized in chapter 84.14 Revised Code of Washington (RCW) is a proven tool in Redmond to produce affordable housing; and,

WHEREAS, RCW 84.14.020 authorizes local jurisdictions to offer 12-year extensions to property tax exemptions where certain affordability requirements are met; and

WHEREAS, updates to MFTE program provisions will offer opportunities to support the construction of market-rate and affordable housing; and,

WHEREAS, having considered the recommendations and community input, the City Council desires to amend RMC Chapter 3.38 concerning the MFTE program.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. **Classification.** This is a code ordinance.

Section 2. **New Section Added to RMC 3.38.** RMC 3.38.122 is added and reads as follows:

3.38.122 12-Year Extensions to Exemptions – Affordability requirements – Limits.

A. A project with an initial eight- or 12-year tax exemption approved pursuant to RMC 3.38.120 may be granted a 12-year exemption extension under RCW 84.14.020(6) when:

1. The project is within 18 months of the original exemption expiration.

2. The project meets or exceeds the requirements of RMC 3.38.122.B for the applicable residential targeted area (RTA).

B. For the property to qualify for an extension under this subsection, the project must satisfy the following criteria:

Overlake RTA **Required Minimum Affordability Levels** **12-Year Extension**	
Number of Units	Affordability Level
First 15%	50% AMI
Second 5%	70% AMI

Marymoor RTA **Required Minimum Affordability Levels** **12-Year Extension**	
Number of Units	Affordability Level
First 20%	50% AMI

Mixed-Use RTA **Required Minimum Affordability Levels** **12-Year Extension**	
Number of Units	Affordability Level

First 20%	50% AMI

RTA's not listed in RMC 3.38.122.B do not offer 12-year extensions.

C. For any affordable units required in this section, the provisions of RMC 3.38.120.B shall apply.

D. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, to increases in assessed valuation of land and nonqualifying improvements, or to increases made by lawful order of the King County Board of Equalization, Washington State Department of Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law.

Section 3. New Section Added to RMC 3.38. RMC 3.38.124 is added and reads as follows:

3.38.124 Relocation Assistance.

A. At the end of both the 10th and 11th years of a 12-year exemption or 12-year exemption extension, applicants must provide tenants of rent-restricted units with notification of intent to provide the tenant with rental relocation assistance as provided in RMC 3.38.124.B.

B. Except as provided in RMC 3.38.122.C, at the expiration of the exemption the applicant must provide tenant relocation assistance in an amount equal to one month's rent to a qualified tenant within the final month of the qualified tenant's lease. To be eligible for tenant relocation assistance under this subsection, the tenant must occupy an income-restricted unit at the time the exemption expires and must qualify as a household earning up to 80% area median income at the time relocation assistance is sought.

C. If affordability requirements remain in place for the unit after the expiration of the exemption, relocation assistance in an amount equal to one month's rent must be provided to a qualified tenant within the final month of a qualified tenant's lease who occupies an income-restricted unit at the time those additional affordability requirements cease to apply to the unit.

Section 3. **Severability.** If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this ordinance.

Section 4. **Effective date.** This ordinance shall become effective five days after its publication, or publication of a summary thereof, in the city's official newspaper, or as otherwise provided by law.

ADOPTED by the Redmond City Council this ___ day of _________, 2026.

CITY OF REDMOND

ANGELA BIRNEY, MAYOR

ATTEST:

Cheryl Xanthos, MMC, CITY CLERK (SEAL)

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY:

REBECCA MUELLER, CITY ATTORNEY

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:

SIGNED BY THE MAYOR:

PUBLISHED:

EFFECTIVE DATE:

ORDINANCE NO.

Item		Discussion Notes	Issue Status
1.	**Background on 12-Year extension and 20-Year TOD MFTE programs** Prakriya	**Council Discussion** Councilmember asked for further explanation of the 12-year extension and 20-year TOD MFTE programs in Washington state. **Staff Comments** Washington's state provides multiple Multifamily Property Tax Exemption (MFTE) options, authorized under Chapter 84.14 RCW. MFTE provides a property tax exemption for qualifying multifamily housing developments in exchange for meeting program requirements established by state law and local ordinance. Different exemption options have different affordability requirements. • Washington Department of Commerce 2025 MFTE Legislative Fact Sheet **8-Year MFTE Standard** The standard 8-year MFTE program is primarily intended to encourage new multifamily housing development. State law does not require affordable housing units as a condition of the 8-year exemption, although local jurisdictions may adopt additional requirements. Many communities use this option to encourage market-rate housing production in areas where additional residential investment is desired. Redmond has enjoyed local market conditions that are conducive to development. As such, MFTE was adopted locally to help support the creation of more affordable housing. • Redmond adopted 8-year MFTE program options in 2017. • Redmond's 8-year MFTE program options have always required *some* amount of affordable housing units. **12-Year MFTE Standard** The standard 12-year MFTE program is designed to encourage the production of affordable housing within private multifamily developments. Under state law, at least 20% of the housing units must be reserved for income-qualified households. Household income limits are established using Area Median Income (AMI), with	Opened 6/16/26 Closed X.XX.XX

households earning up to 80% of AMI generally considered low-income and households earning up to 115% of AMI considered moderate-income for purposes of the program.

- Redmond also adopted 12-year MFTE program options in 2017.
- These were largely removed (except for the Downtown RTA) as part of Redmond 2050, because development activity demonstrated a strong preference for the 8-year program.

12-Year MFTE Extension

State law also allows an existing MFTE project to receive an additional 12-year exemption if it meets the affordability requirements in effect at the time of the extension. Projects participating in either the original 8-year or 12-year MFTE program may qualify for this extension; however, developments must satisfy the applicable affordability standards to do so.

- For Redmond, this is particularly relevant because the City's existing 8-year MFTE program requires fewer affordable units than the current state standard.
- As a result, an 8-year MFTE project seeking the additional 12-year extension in Redmond would need to increase the number of affordable housing units to satisfy the applicable statutory and local requirements.

20-Year Transit-Oriented Development (TOD) MFTE

In 2025, the Legislature created a new 20-year MFTE option through HB 1491. Unlike the other MFTE programs, which typically apply within locally designated Residential Targeted Areas (RTAs), the 20-year TOD MFTE applies to qualifying developments located within designated transit station area. Station areas are defined by RCW 36.70A.030 and mapped on Commerce’s transit-oriented development webpage.

The program includes its own affordability requirements and long-term affordability commitments. Jurisdictions subject to the 2024 comprehensive plan update schedule, including Redmond, are required to implement the applicable TOD provisions by December 31, 2029.

The proposed amendments do not include a 20-year Transit-Oriented Development (TOD) MFTE program option. Staff believe it is prudent to defer consideration of that option until additional guidance is provided by the Washington State Department of Commerce or any potential legislative revisions are finalized, due to ambiguity in the existing text of state law.

2.	**2023 12-Year MFTE Pilot Program** Kritzer	**Council Discussion** Councilmember asked for more information about the 2023 12-year MFTE pilot program, including participation rate and lessons learned. **Staff Comments** The 2023 12-year MFTE pilot program was developed as part of a broader review of Redmond's housing policies funded through a $100,000 grant from the Washington State Department of Commerce. The grant supported consultant analysis and implementation of the City's adopted Housing Action Plan, with one required deliverable being legislative action to update the City's MFTE program. Redmond adopted its first MFTE program in 2017 to encourage the production of affordable housing. The program included both an 8-year and a 12-year MFTE option. Under the original 12-year program, developments were required to reserve 20% of units as affordable housing, consistent with state law. In the Downtown and Overlake Residential Targeted Areas, the affordability requirements were split between 10% of units affordable at 65% of Area Median Income (AMI) and 10% at 85% AMI. In the Marymoor Residential Targeted Area, the requirements were 10% of units at 60% AMI and 10% at 80% AMI. By June 2023, the 8-year MFTE program had proven successful, with six completed and occupied market-rate projects providing 230 affordable homes. In contrast, no market-rate development had utilized the standard 12-year MFTE program. Through the consultant's analysis and community partner outreach, staff concluded that the affordability requirements associated with the 12-year program limited its financial feasibility under then-current market conditions. To evaluate whether participation could be improved, the City adopted a temporary pilot program in 2023 that adjusted the affordability mix while maintaining the 20% affordable housing requirement established by state law. Under the pilot, developments were still required to provide 20% affordable units, but the affordability levels were revised to require 10% of units at 80% AMI and 10% of units at 90% AMI.	Opened 6/16/26 Closed X.XX.XX

Redmond WASHINGTON

3.38.125 Temporary pilot program – 12-year exemption required minimum affordability levels.

You are viewing the 12/16/2024 version. This is not the current version of this section.

A. *Pilot Program.* The Minimum Affordability Levels for the 12-year exemption, identified in Table 3 of this section, shall supersede the 12-year exemption Minimum Affordability Levels identified in Table 1 and Table 2 of this chapter.

B. The value of new housing construction qualifying under this chapter shall be exempt from ad valorem property taxation as follows:

1. *In All Residential Targeted Areas.*

a. *Length of Exemption.* For 12 successive years beginning January 1 of the year immediately following the calendar year of issuance of the certificate for rental projects where at least the required minimum number of units are affordable units as specified in Table 3.

b. *Table 3: Required Minimum Affordability Levels.* Affordable Rents as indicated:

Table 3. Marymoor, Downtown, and Overlake Village Residential Targeted Areas

Length of Exemption	Number of Units	Affordability Level
12 years	First 10%	80% AMI
	Second 10%	90% AMI

C. *Termination.* This section shall expire on December 31, 2024. (Ord. 3125 § 2, 2023).

The objective was to test whether a modified affordability structure would increase utilization of the 12-year MFTE program. And, if utilization increased, was that increased participation an acceptable tradeoff to the opportunity cost of fewer, more deeply affordable housing units.

This approach was informed by extensive community partner engagement conducted during the consultant's analysis. Developers consistently cited rapidly increasing construction and labor costs, slower rent growth, uncertainty in capital markets, and the cumulative impact of development requirements on project feasibility.

The pilot was in effect from summer 2023 through December 31, 2024, after which it automatically expired. During the approximately 18-month pilot period, two of four eligible developments participated in the program. As such, the pilot achieved a participation rate of 50%.

Given the relatively small number of eligible projects and the challenging development environment following the COVID-19 pandemic, the pilot produced mixed results and did not provide a definitive basis for broader policy conclusions.

		• However, the experience demonstrated that participation in the 12-year program remained limited despite modifications to the affordability requirements. • This informed the City's subsequent policy direction in Redmond 2050, which emphasized expanding opportunities through the more widely utilized 8-year MFTE program with affordability set-asides below the 20% minimum required for the 12-year program under state law.	
3.	**Development Partner Community Engagement** Kritzer	**Council Discussion** Councilmember asked about other staff perspectives on the major themes of private development partner community engagement. Specifically, the input that the proposed 12-year Extension MFTE program would not sufficiently improve project financial feasibility to make projects viable under current conditions. **Staff Comments** Development partner engagement highlighted four central themes: 1. Current macroeconomic conditions present significant headwinds for development feasibility. 2. Concern that the proposed MFTE amendments will not sufficiently improve project financial feasibility to incentivize new development. 3. Recent MFTE legislation has introduced legal ambiguity in key areas of implementation and applicability, specifically for the 20-year TOD MFTE. 4. Predictability and longer-term certainty in exemptions are increasingly critical to underwriting and project planning. Overall, the feedback received should be viewed in the context of today's challenging development environment. While developers identified several considerations that influence project feasibility and investment decisions, staff did not interpret the feedback as indicating that the proposed MFTE amendments are fundamentally unworkable for future development. Nor are the proposed MFTE amendments fundamentally barriers for future development because the proposed 12-year MFTE extension programs are **voluntary**. Rather, the comments consistently reflected that the MFTE program is one of many factors considered when underwriting projects and should be viewed as a tool that can improve project economics, rather than one that is expected to overcome broader market conditions on its own. The four primary themes are summarized below.	Opened 6/16/26 Closed X.XX.XX

		1. Current macroeconomic conditions present significant headwinds for development feasibility. Developers consistently shared that current macroeconomic conditions remain the most significant challenge affecting new residential development. Construction costs for both labor and materials have increased substantially over the past several years, while rental revenue has generally not kept pace. These market conditions extend well beyond factors that local government can directly influence. Interest rates, inflation, tariffs, global supply chain disruptions, geopolitical events, and other national and international economic forces all affect project feasibility. While these conditions are significant today, they have historically fluctuated over time. The City's long-range planning efforts under Redmond 2050 are intended to support housing production across multiple economic cycles, recognizing that development activity naturally expands and contracts as market conditions change. **2. Concern that the proposed MFTE amendments will not sufficiently improve project financial feasibility to incentivize new development.** Developers generally agreed that the proposed 12-year MFTE extension, by itself, is unlikely to move many projects across the threshold from financially infeasible to feasible under current market conditions. Staff agree with that with the developer assessment of the MFTE financial feasibility findings. Staff notes that closing the entire feasibility gap that exists in the current challenging macroeconomic conditions was never the intended purpose of the proposed MFTE amendments. Nor was that the intended purpose of the broader MFTE program in the City of Redmond. The objective of the MFTE program is not to eliminate the substantial feasibility gap created by today's macroeconomic environment. Rather, the 12-year MFTE extension program is intended to improve project financial performance in exchange for development providing affordable housing beyond the City's baseline inclusionary housing requirements. This approach is consistent with the purpose of Washington's MFTE statute (Chapter 84.14 RCW), which authorizes local governments to encourage the construction of multifamily housing and secure affordable housing benefits through time-limited property tax exemptions. The MFTE is one incentive among many that may influence development decisions, but it is not designed to offset all market conditions or guarantee project feasibility. The MFTE is also just one tool in the toolbox that the City of Redmond has implemented to help support development. Accordingly, staff views this feedback as an acknowledgment of the current economic environment rather than a criticism of the proposed amendments themselves.	

3. Recent MFTE legislation has introduced legal ambiguity in key areas of implementation and applicability, specifically for the 20-Year TOD MFTE.

Several community partners noted that recent amendments to state MFTE legislation have introduced uncertainty regarding implementation of the 20-year TOD MFTE option. During community partner discussions, multiple parties expressed differing interpretations of the statutory language and its application.

For this reason, the proposed amendments do not include a 20-year TOD MFTE option at this time. Staff believes it is prudent to defer consideration of that program until additional guidance is provided by the Washington State Department of Commerce or any future legislative revisions clarify the statutory language. This approach helps reduce implementation risk while allowing the City to move forward with those portions of the MFTE program that are more clearly established under state law. The City can return to considering the 20-year TOD MFTE later.

4. Predictability and longer-term certainty in exemptions are increasingly critical to underwriting and project planning.

Developers also emphasized that predictability is an important factor in project underwriting. Some noted that, in general (not targeted at Redmond specifically), uncertainty regarding how jurisdictions interpret and administer MFTE programs can make it more difficult to incorporate future tax exemptions into baseline financial models.

Staff believe the risks underlying those concerns are mitigated in the City of Redmond. Redmond administers its MFTE program through a streamlined, objective, compliance process using a clear yes-or-no checklist. When an application satisfies the adopted eligibility requirements, approval by the Planning and Community Development Director is largely administrative in nature. Although the Mayor’s Office executes the required legal documents, eligibility determinations are made through the objective administrative process and approved by the Planning and Community Development Director.

There were comments that Redmond's MFTE program is viewed as providing a relatively high degree of consistency and predictability. Concern was less about the City's current practices than the broader possibility that future changes in elected leadership, departmental leadership, or administrative practices over time could affect how programs are implemented. While staff acknowledge that long-term certainty is an important consideration for investment decisions, staff believe Redmond's codified eligibility standards and established administrative procedures help reduce that risk.

15670 NE 85th Street
Redmond, WA

City of Redmond

Memorandum

Date: 7/28/2026
Meeting of: City Council Study Session

File No. SS 26-065
Type: Study Session

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

Finance	Kelley Cochran	425-556-2748

DEPARTMENT STAFF:

Finance	Haritha Narra	Deputy Finance Director
Finance	Hailey Zurcher	Financial Planning Manager

TITLE:
Budget Process Update: Utility Rate Study, Long-Range Financial Strategy & Fiscal Policies

OVERVIEW STATEMENT:
City Council will be provided with an overview of the preliminary forecast for the city utilities and will discuss financial strategies and policies relevant to Long-Range Financial Strategies and Fiscal Policies.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☒ **Provide Direction** ☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
  Long-Range Financial Strategy
  Fiscal Policies
- **Required:**
  N/A
- **Council Request:**
  N/A
- **Other Key Facts:**
  N/A

OUTCOMES:
The purpose of the Study Session is to provide Council with an overview of the preliminary forecast for city utilities and

to finalize policy direction and document updates to the Long-Range Financial Strategy and Fiscal Policies

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
  N/A
- **Outreach Methods and Results:**
  N/A
- **Feedback Summary:**
  N/A

BUDGET IMPACT:

Total Cost:
N/A

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

Budget Offer Number:
N/A

Budget Priority:
Strategic & Responsive

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
3/10/2026	Committee of the Whole - Finance, Administration, and Communications	Provide Direction
4/14/2026	Study Session	Receive Information

5/12/2026	Committee of the Whole - Finance, Administration, and Communications	Receive Information
6/9/2026	Committee of the Whole - Finance, Administration, and Communications	Provide Direction
7/14/2026	Committee of the Whole - Finance, Administration, and Communications	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
11/10/2026	Special Meeting	Approve

Time Constraints:
N/A

ANTICIPATED RESULT IF NOT APPROVED:
N/A

ATTACHMENTS:
Attachment A: Presentation

Budget Process Update - July 28, 2026

- Kelley Cochran, Finance Director
- Haritha Narra, Deputy Finance Director
- Hailey Zurcher, Financial Planning Manager
- Kyle Smith, Senior Financial Analyst
- Amanda Balzer, Program Manager
- Chris Stenger, Acting PW Director

Redmond
WASHINGTON

Agenda

- City Utilities
  - Overview of System
  - Local and Regional Challenges
  - Preliminary Forecast Assumption

- Long-Range Financial Strategy & Fiscal Policies
  - New Strategies
  - Community Engagement
  - Decision Making Criteria Prioritization
  - Operating Reserves
  - General Obligation Bonds
  - Community Investment Rate

Budgeting for Outcomes

City Utilities

Core Utilities Delivering Critical Services

Water

- Serve 20,000+ homes and businesses
- Distribute Cascade water
- Produce independent supply
- ~360 miles pipe
- Ensure water safety and regulatory compliance
- Maintain fire flows

Wastewater

- Collect wastewater from 20,000+ homes and businesses
- Convey to King County for treatment
- ~230 miles of pipe
- Prevent overflows and clear back-ups

Stormwater

- Manage 11 billion gallons rainfall
- ~200 miles of pipe
- Prevent flooding
- Prevent pollution and responds to spills
- Protect 50 miles of fish-bearing streams

Public Works maintains approximately $4 Billion in assets

Utilities At Risk

Aging infrastructure, increasing regulatory requirements, and rising operational costs require strategic investments to continue delivering reliable services at a good value.

Public Works

Regional and Local Investments

Water

Average Bill $38

$14 regional costs

$24 local costs

Wastewater

Average bill $80

$63 regional costs

$17 local costs

Stormwater

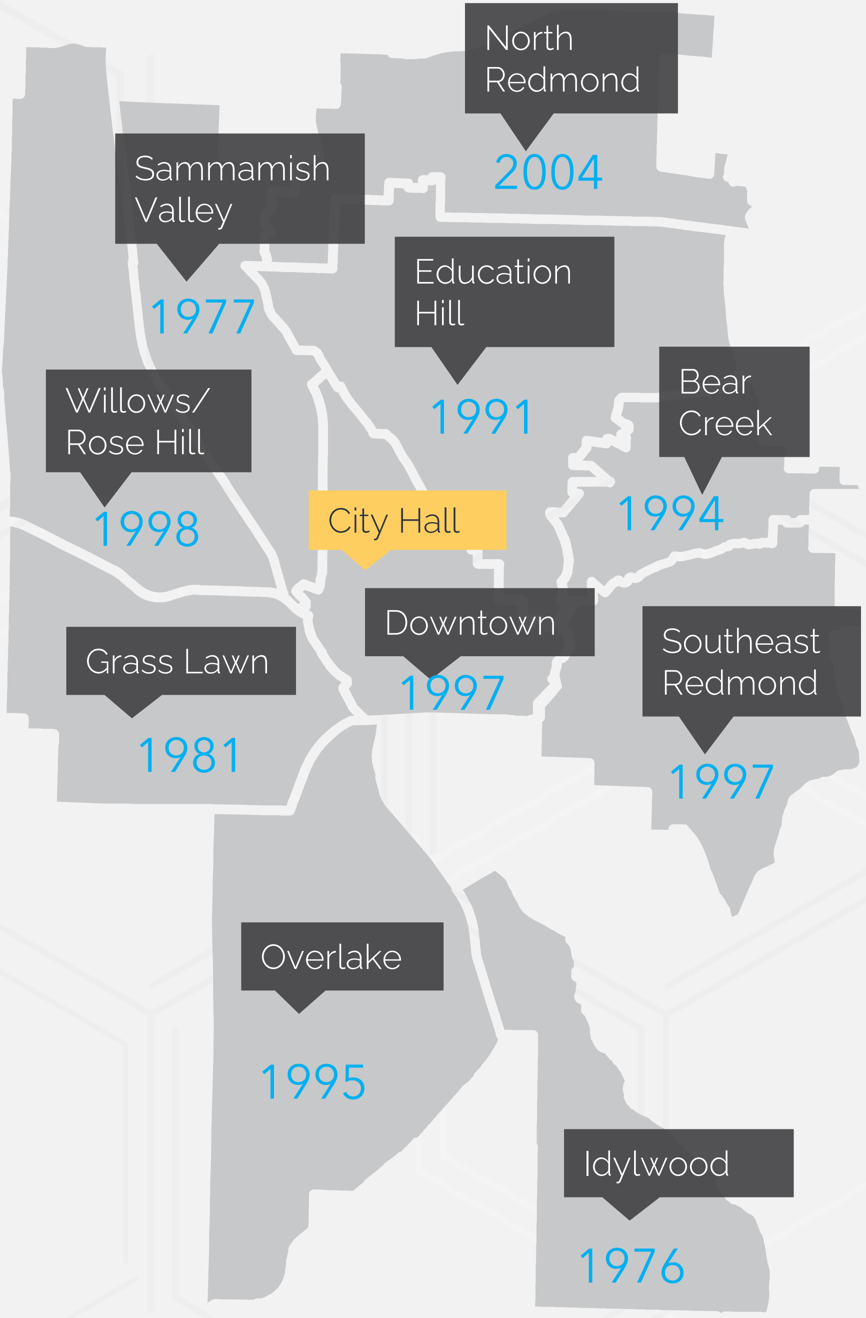
$17 local costs

100% local costs, no regional infrastructure

*Average single-family bill is shown as monthly charge.

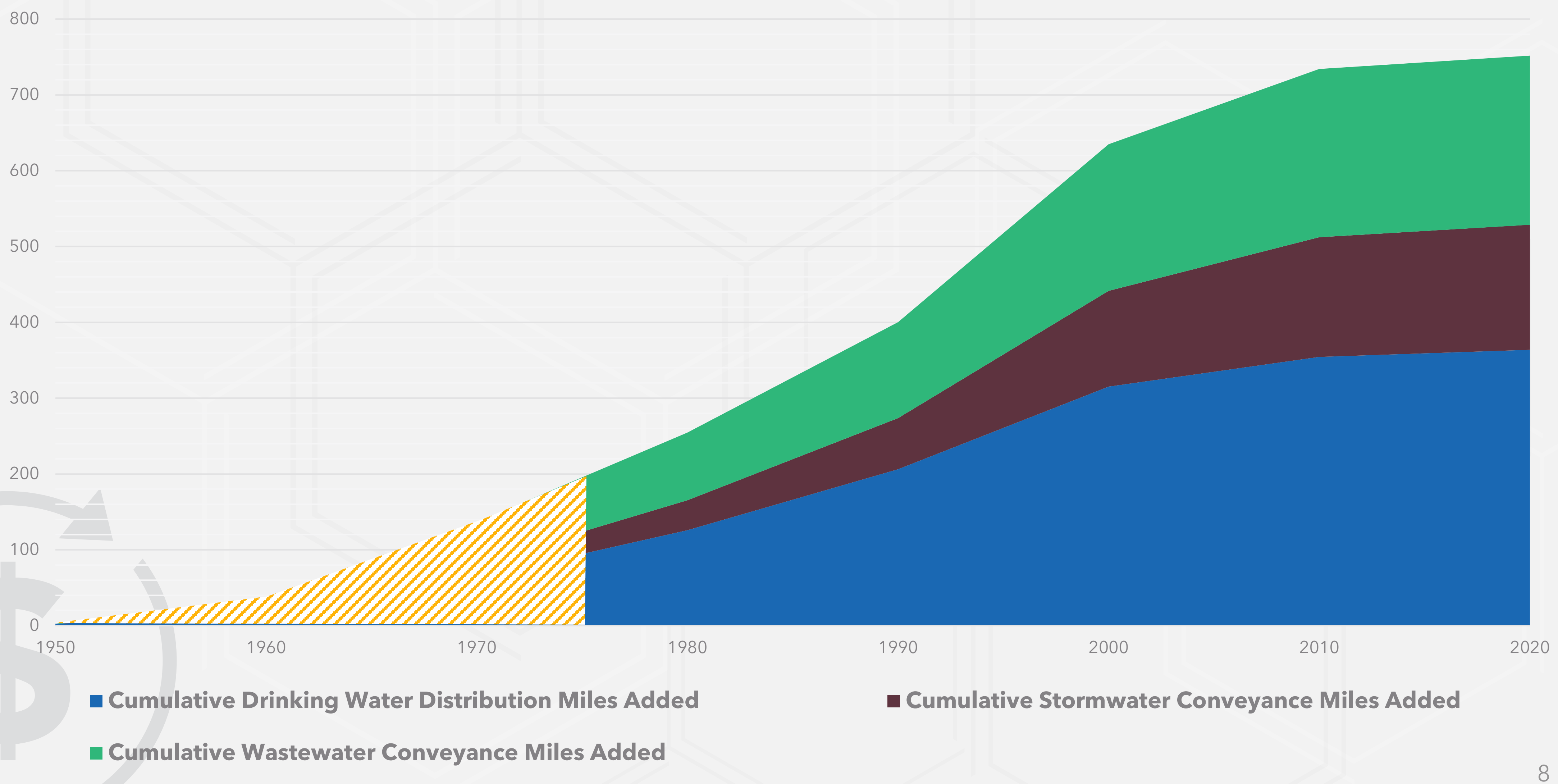
The Reality: Aging Infrastructure

- Median water pipe install dates
- Wastewater and stormwater of similar vintage
- Life expectancy 50-75 years
  - Dependent on material, environment, and preventative maintenance practices
- Urban centers younger median age due to growth-driven replacement
- Median age is near the low end of life expectancy across the city



*Approximately 15% of pipe install years are estimates

Combined Utility Buildout

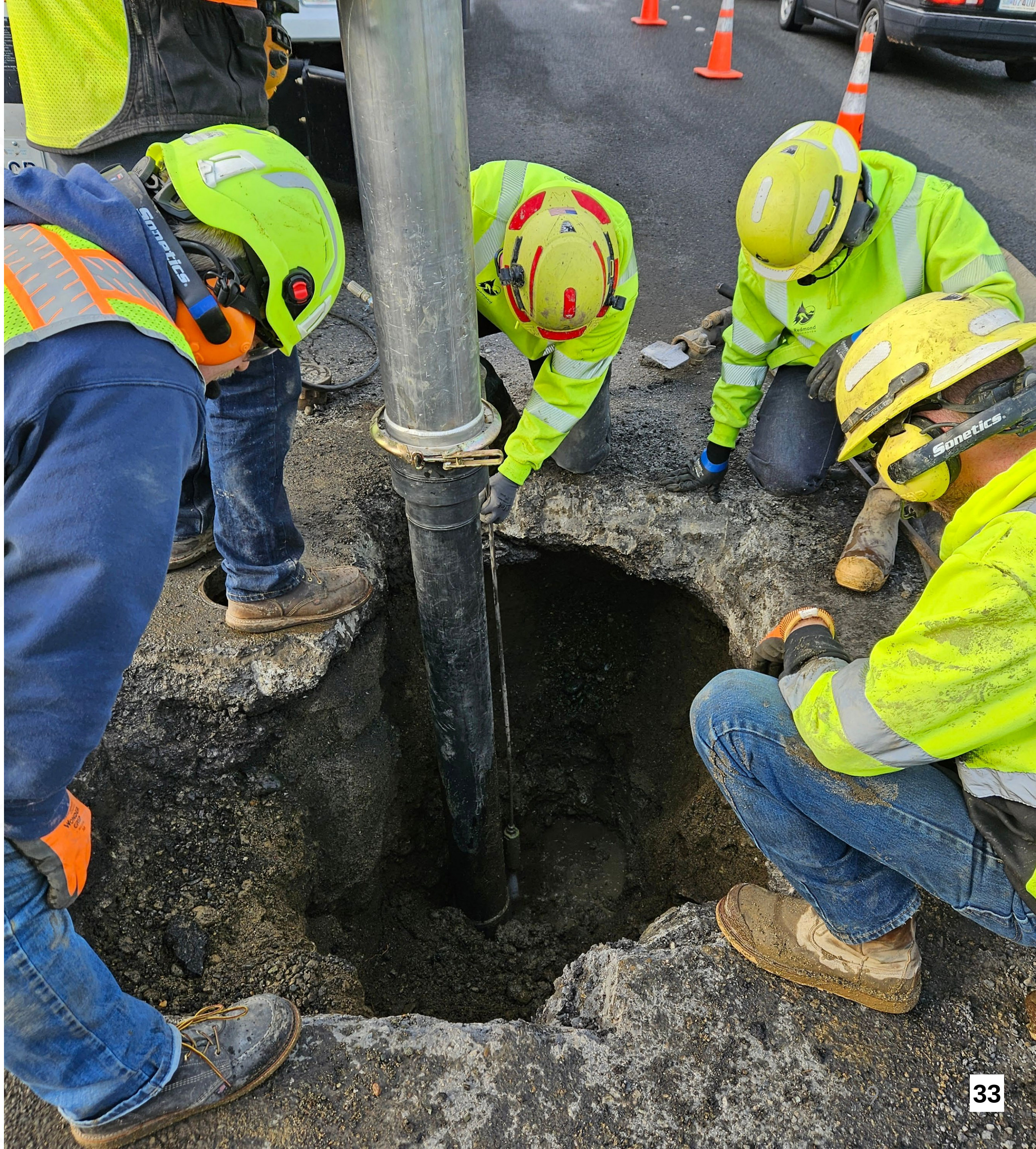


What's Working Now?
Solid Foundation to Build On

Operations
- Single point of accountability
- Keeping pace with growth installations
- **Professional, skilled, efficient crews**

Planning
- Comprehensive Functional Plans
- **Asset Performance Management Program**
- APWA Accreditation

Project Implementation
- Lift Station systematic rehabilitation
- **Viewpoint Project** – multi-benefit project



What's next?

Setting the Stage for Generational Investments

Operations

- **Focused staff increases** for added capacity to **execute strategic initiatives**
- Develop a **preventative maintenance** program for water

Planning

- Asset Management Plans
- Targeted aging **pipe replacement** programming
- Studies to inform capital investment needs and timing

Project Implementation

- Increase the pace of **utility renewal** CIP to keep pace with aging infrastructure.
- Collaborate with Finance to plan for generational investments.

Utility Enterprise Funds Overview

- Proprietary charges imposed to cover the costs of offering services. (RCW 35.92 & RCW 90.03.500)
- Designed to fund the ongoing operation, maintenance, replacement, and future improvements of utility infrastructure.
- Rates and charges are the periodic amounts billed for utility services.
- Capital facility charges/connection charges are fees for connecting new customers or defraying capital costs.

2025-2026 Rate Comparison

Water & Wastewater Rates

Monthly Residential Bills	Water	Wastewater	Total
Skyway Water & Sewer District	$69.17	$112.04	$181.21
Seattle	$63.11	$109.69	$172.80
Woodinville Water District	$71.76	$88.16	$159.92
Redmond Novelty Hill (Current)	**$60.83**	**$97.85**	**$158.68**
Mercer Island	$48.69	$108.05	$156.75
Bellevue	$58.84	$92.13	$150.97
Kirkland	$40.52	$108.84	$149.36
Alderwood Water District	$33.74	$115.47	$149.21
Sammamish Plateau	$51.52	$96.17	$147.69
Issaquah	$70.93	$66.35	$137.28
Kent	$48.00	$86.97	$134.97
Tukwila	$45.53	$101.11	$146.64
Northshore Utility District	$42.18	$88.11	$130.29
Bothell	$39.78	$88.75	$128.53
Auburn	$42.95	$83.05	$126.00
Coal Creek Utility District	$44.76	$77.35	$122.11
Renton	$35.75	$84.80	$120.55
Soos Creek Water & Sewer District	$34.00	$78.03	$112.03
Redmond (Current)	**$33.08**	**$70.12**	**$103.20**

Stormwater Rates

Monthly Single Family	Stormwater
Seattle	$31.62
Tukwila	$22.58
Mercer Island	$20.86
Kirkland	$20.74
Issaquah	$19.92
Bellevue	$18.41
Renton	$17.04
Auburn	$16.95
Redmond (Current)	**$16.89**
Bothell	$16.70
Kent	$15.42

Preliminary Forecast Assumptions

- King County Wastewater Treatment increases:
  - 12.75% in 2027 and 2028
- Development/growth steady through 1Q 2027.
- Continued grant funding for wellhead protection
- Adequate operating and debt reserves

- Surplus Fund Balance
  - Equipment
  - Studies
  - Capital
  - Technology
- Anticipated 9% increase for CWA
- Depreciation increases

Preliminary Forecast

Update to be provided prior to Study Session

Next Steps

- Final Revenue Forecast
- Budget Balancing
- Final Cascade Water Alliance (CWA) Budget
- Cost of Service Study
- Rate Design Update
- Rate affordability Analysis

Budgeting for Outcomes

Policy Discussions

Policy Questions

1. Should the following strategies be added to the plan?
    a. Asset Management Strategic Plan
    b. Budget Contingency Plan

2. How should the following community engagements be utilized going forward?
    a. Should the Community Strategic Plan an be maintained?
    b. How can Community Results Team process be designed to inform the budget?

3. What should the target Community Investment Rate be?

Proposed - Asset Management Strategy

- **Purpose:** Provide a long-term, data-driven framework to manage the City's infrastructure and public assets while maximizing value and minimizing risk

- **Benefits:**
  - Extends the life of infrastructure and facilities
  - Optimizes maintenance and capital investment decisions
  - Reduces risk of asset failure and service disruptions
  - Supports data-driven budgeting and financial planning
  - Improves transparency and accountability
  - Enhances sustainability and community resilience

- **Strategic Outcomes:**
  - Prioritized capital projects
  - Predictable long-term funding needs
  - Improved levels of service
  - Better coordination across departments
  - Sustainable stewardship of public assets

Proposed - Budget Contingency Strategy

- **Purpose:** Provide a proactive framework to maintain essential services and financial stability during economic downturns, revenue shortfalls, emergencies, or unexpected expenditures.

- **Benefits:**
  - Protects the City's financial health
  - Ensures continuity of essential public services
  - Provides a structured response to revenue declines
  - Establishes clear spending priorities and decision triggers
  - Strengthens long-term financial resilience

- **Strategic Outcomes:**
  - Pre-established cost saving and expenditure reduction strategies
  - Prioritized service levels during fiscal stress
  - Faster, more consistent decision-making during emergencies
  - Increased community and staff confidence

Community Strategic Plan

- **Purpose:** Provide a long-term vision and strategic framework that guides decisions, aligns resources with community priorities, and supports continued growth and quality of life.

- **Benefits:**
  - Prioritized decision-making criteria
  - Establishes a work plan to make progress toward a shared vision
  - Aligns city services, programs, and investments with community priorities
  - Guides policy, budget, and capital investment decisions
  - Establishes measurable goals and performance outcomes
  - Strengthens community engagement and accountability

- **Strategic Outcomes:**
  - Clear citywide goals and strategic priorities
  - Alignment between the citywide plans
  - Improved coordination across departments and initiatives
  - Performance measures to track progress and outcomes
  - Greater transparency and communication with community and stakeholders

Community Results Team

- **Purpose:** Provide meaningful opportunity for community stakeholders to inform budget decisions, ensuring city resource allocation reflects community priorities and values.

- **Benefits:**
  - Increases community participation and civic engagement
  - Builds trust through transparency and open communication
  - Aligns budget decisions with community priorities
  - Brings diverse perspectives and innovative ideas into the budgeting process
  - Supports informed decision-making with community feedback
  - Strengthens accountability to the public

- **Strategic Outcomes:**
  - Budget priorities that reflect community values
  - Increased public understanding of city finances and trade-offs
  - Broader participation form diverse community members
  - Stronger confidence in budget decisions

Community Results Team

Budget Process	Exercise/Input
2009-2010 2011-2012 2013-2014 2015-2016	Rank/score budget offers
2017-2018	Capital Investment Strategy
2019-2020	Budget Priorities & Outcomes
2021-2022	Pandemic Response
2023-2024	Pandemic Recovery
2025-2026	Budgeting for Equity
2027-2028	Budget Priorities & Outcomes

General Obligation Bonds

- Policy 5.6.10

- No general obligation bonds issued for one or more capital projects shall exceed 50 percent of the total project funding without voter approval.

General Operating Reserve Level

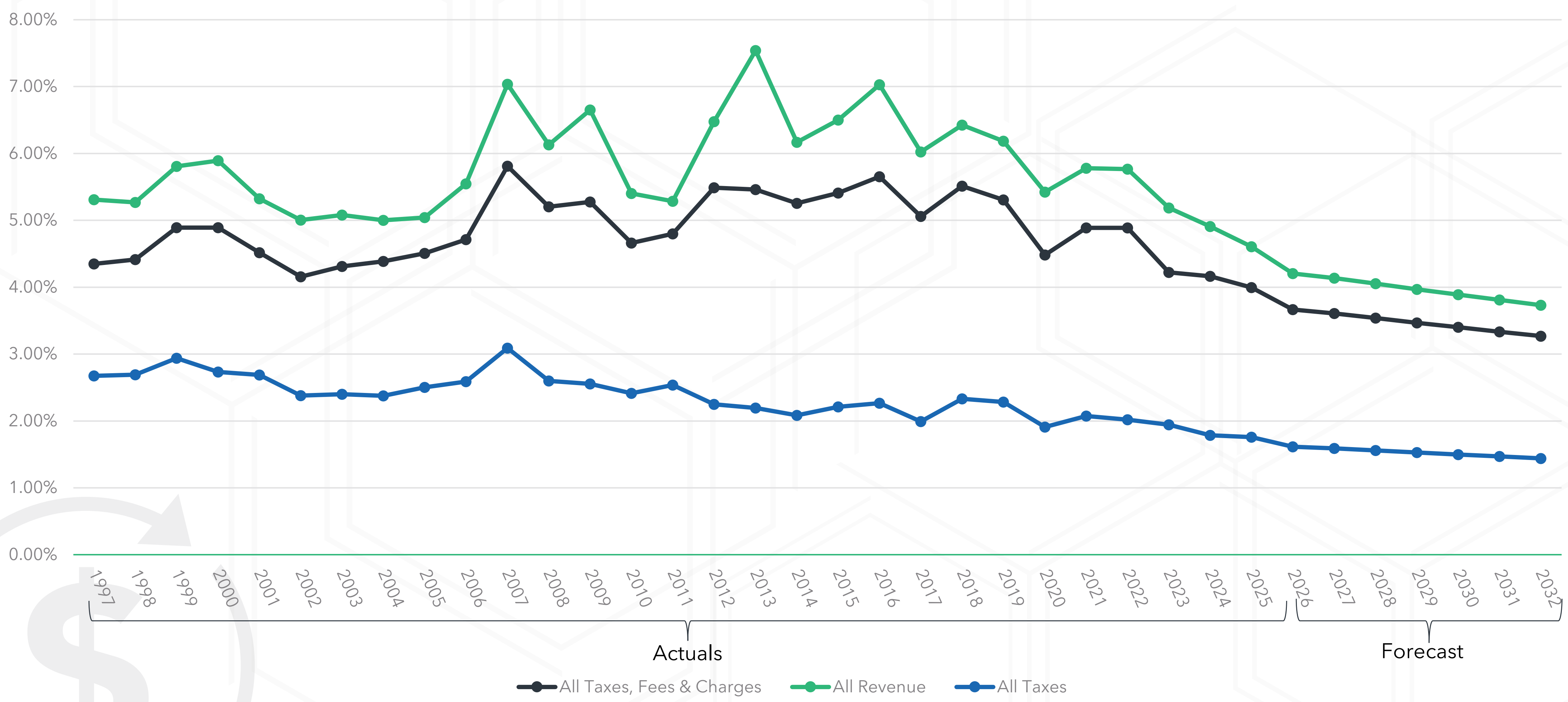
- Policy 6.2.2
- The City shall maintain a General Operating reserve at a level of twelve percent (12%) of total General Fund budgeted revenues in the current year, excluding beginning fund balances, development review revenues, and any significant one-time revenues.
  - The target was increased in 2022
  - The City is increasing the level of reserves each biennial budget and is currently at nine percent (9%)

Community Investment Rate

Provides a high-level measure of the portion of the community's personal income invested in city government.

- **Measure:** City revenues as a percentage of community personal income.
- **Purpose:** To understand share of personal income collected by the City to invest in services, programs, and infrastructure.
  - Provides a consistent measure of government size and level of service
  - Enables long-term trend analysis
  - Puts revenues into economic context
  - Supports policy discussions about fiscal sustainability and tax burden
  - Assess affordability

Community Investment Rate



Community Investment Rate Target Threshold

- City Council target threshold 5.2% - 5.5%

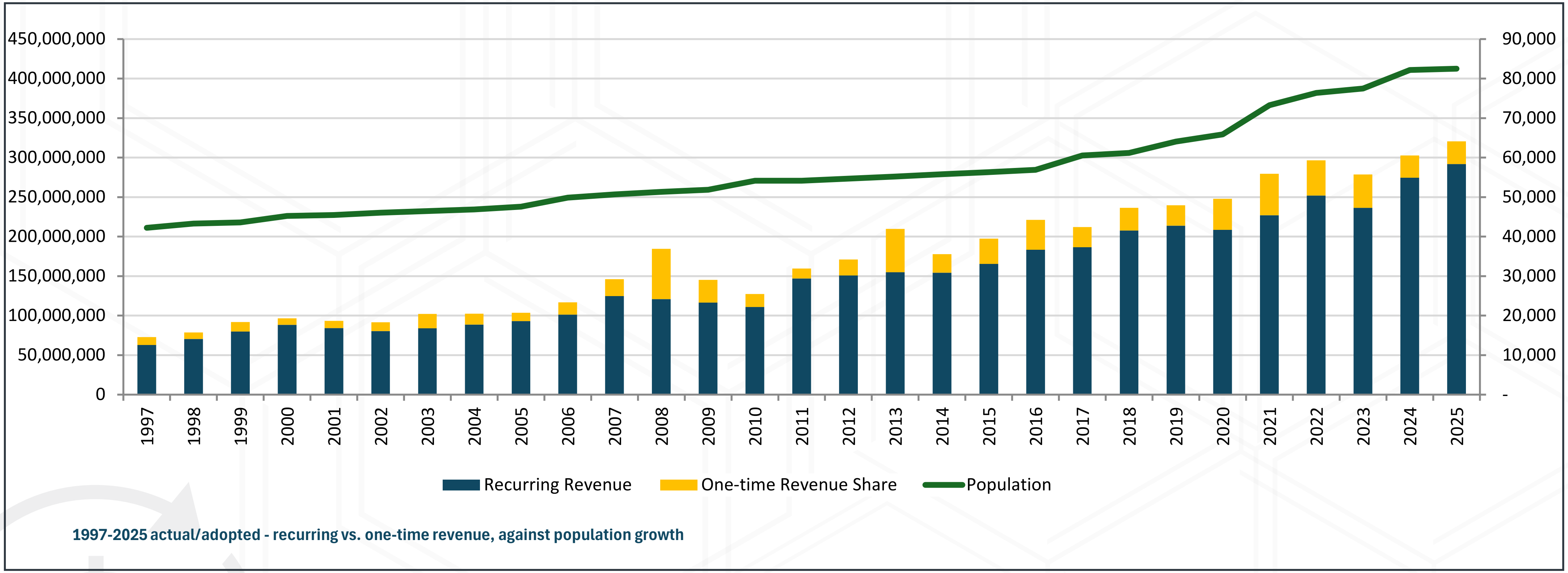
- Evidence-based and community-driven process to establish:
  - Reviewed historical revenue collections (1997-present) relative to community personal income.
  - Identified a sustainable historical range of approximately 5% - 6%.
  - Incorporated community level of service expectations
  - Adopted a target that balances levels of service, affordability, and long-term fiscal sustainability.

Community Investment Rate Complimentary Metrics

- Most useful when paired with metrics that answer:
  1. Can the community afford city government?
  2. Is the community receiving value for investment in city government?
  3. Is city government financially sustainable?

- Financial Dashboard:
  - Community Investment Rate → *How much community invests in city government*
  - Community Satisfaction → *How community perceives value*
  - Strategic Outcome Measures → *What investments achieve*
  - Financial Sustainability Indicators → *Whether the City can sustain services over time*
  - Benchmarking with Peer Cities → *How performance compares with similar jurisdictions*

Community Investment Rate Population & Revenue Growth



Population Growth, 1997→2025

+95.4%

42,230 → 82,506 residents

Total Revenue Growth, 1997→2025

+340.3%

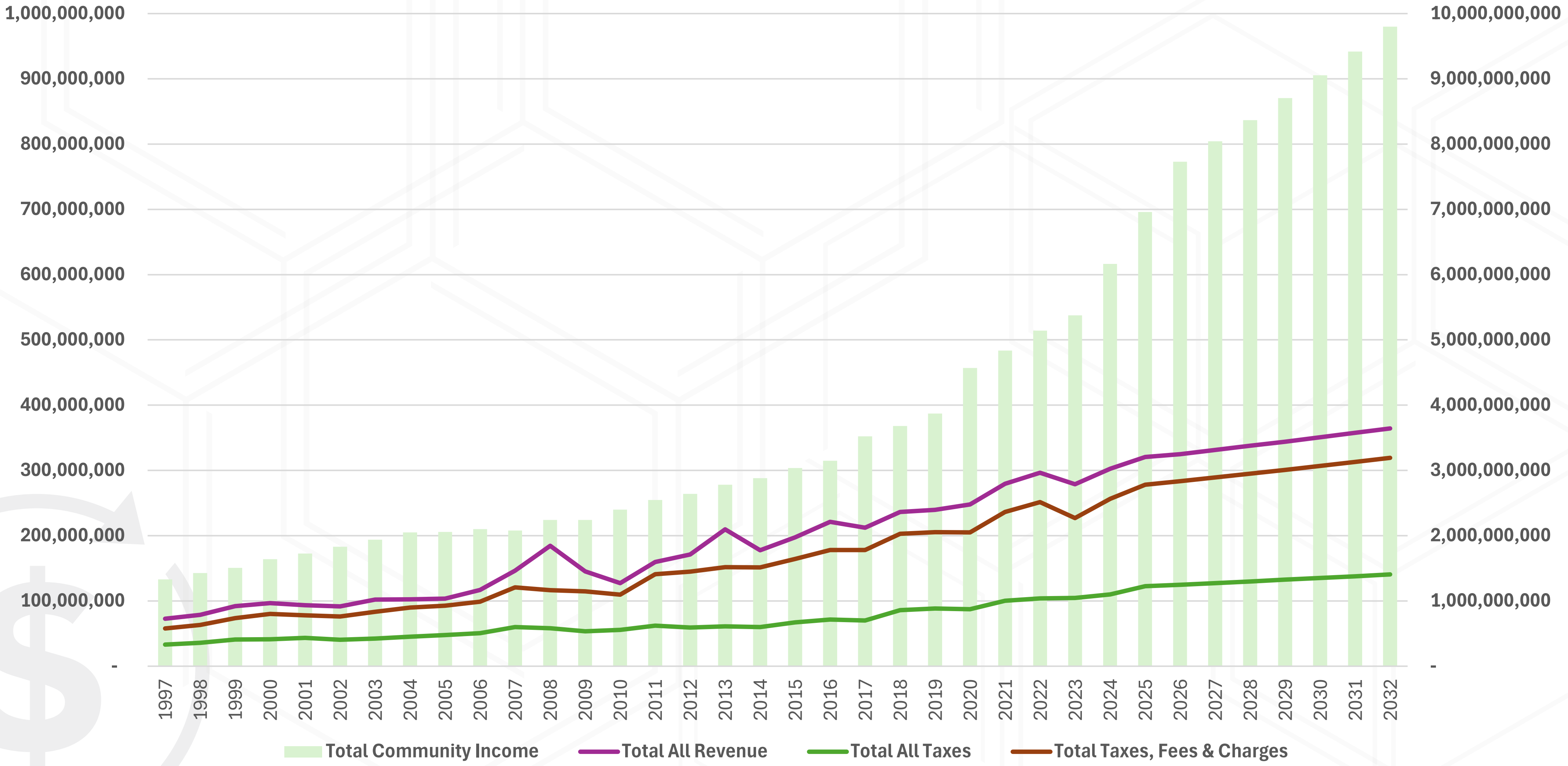
$63.0M → $320.3M

One-time Share, 1997→2025

+192.3%

$9.8M → $28.8M

Community Investment Rate
Community Income vs. City Revenue



Preliminary Forecast Assumptions

Key Assumptions

- Property Tax Capped at 1% (Statutory limit)
- All taxes increase at 2%-4% per year
- All fees & charges increase at 2% per year
- Population growth by 1% per year
- Per capita income by 3% per year

Impacts of declining rate

Update to be provided prior to Study Session

Community Investment Rate – Options

Update to be provided prior to Study Session

Thank you

Any Questions?

Redmond
WASHINGTON

City of Redmond

15670 NE 85th Street
Redmond, WA

Memorandum

Date: 7/28/2026
Meeting of: City Council Study Session

File No. SS 26-073
Type: Study Session

Council Talk Time