# 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.

# 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

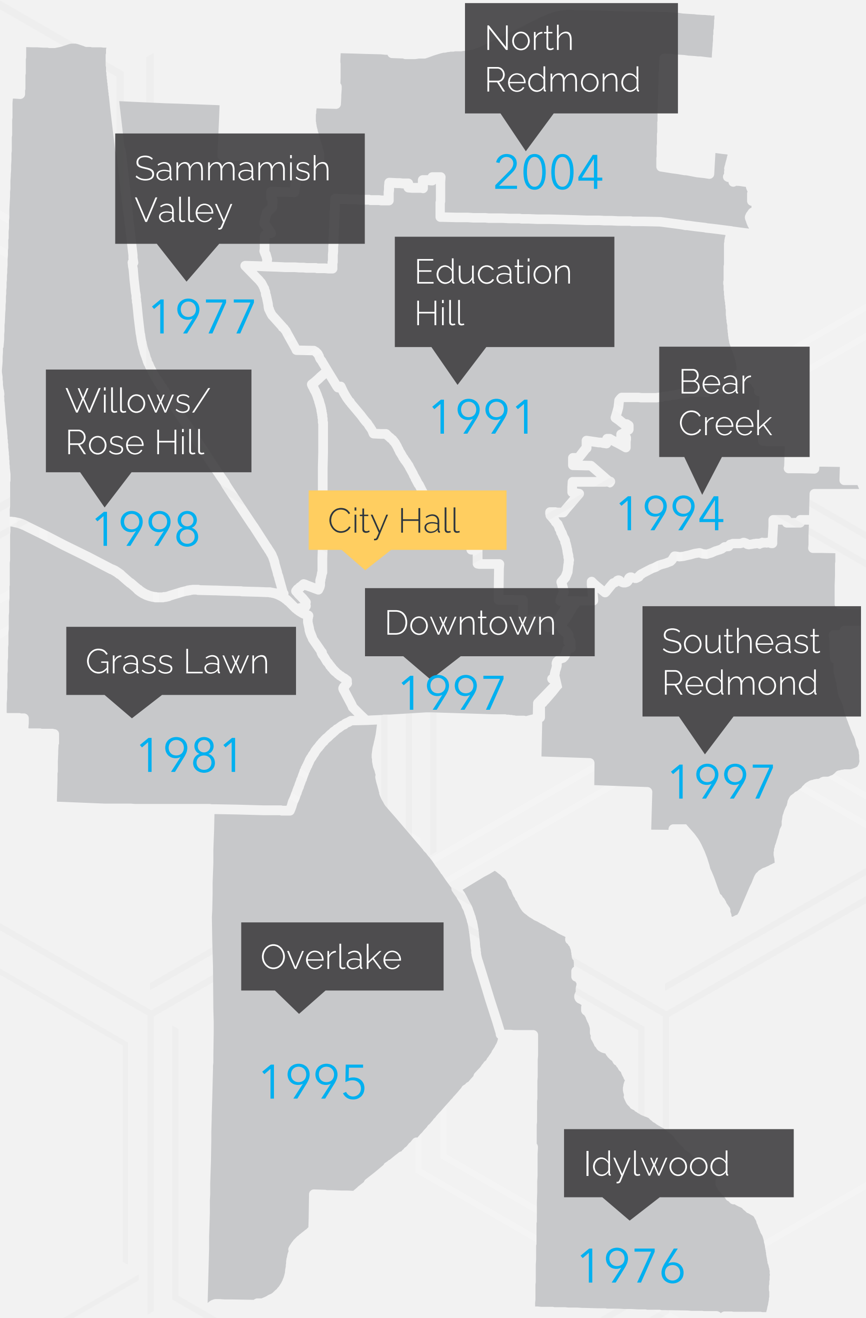
$17 local costs

100% local costs, no regional infrastructure

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

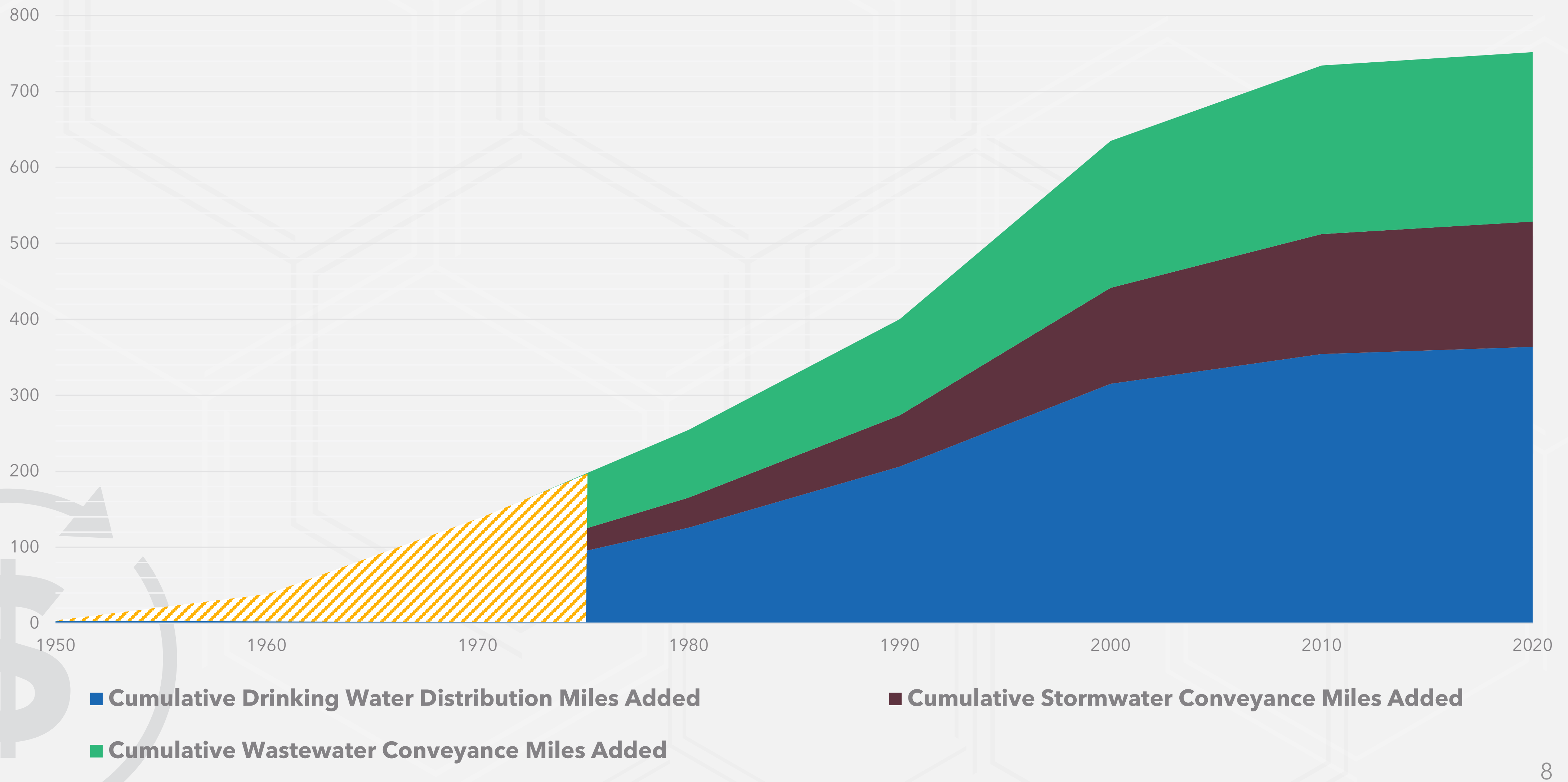
# The Reality: Aging Infrastructure

- 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<br>2011-2012<br>2013-2014<br>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%)

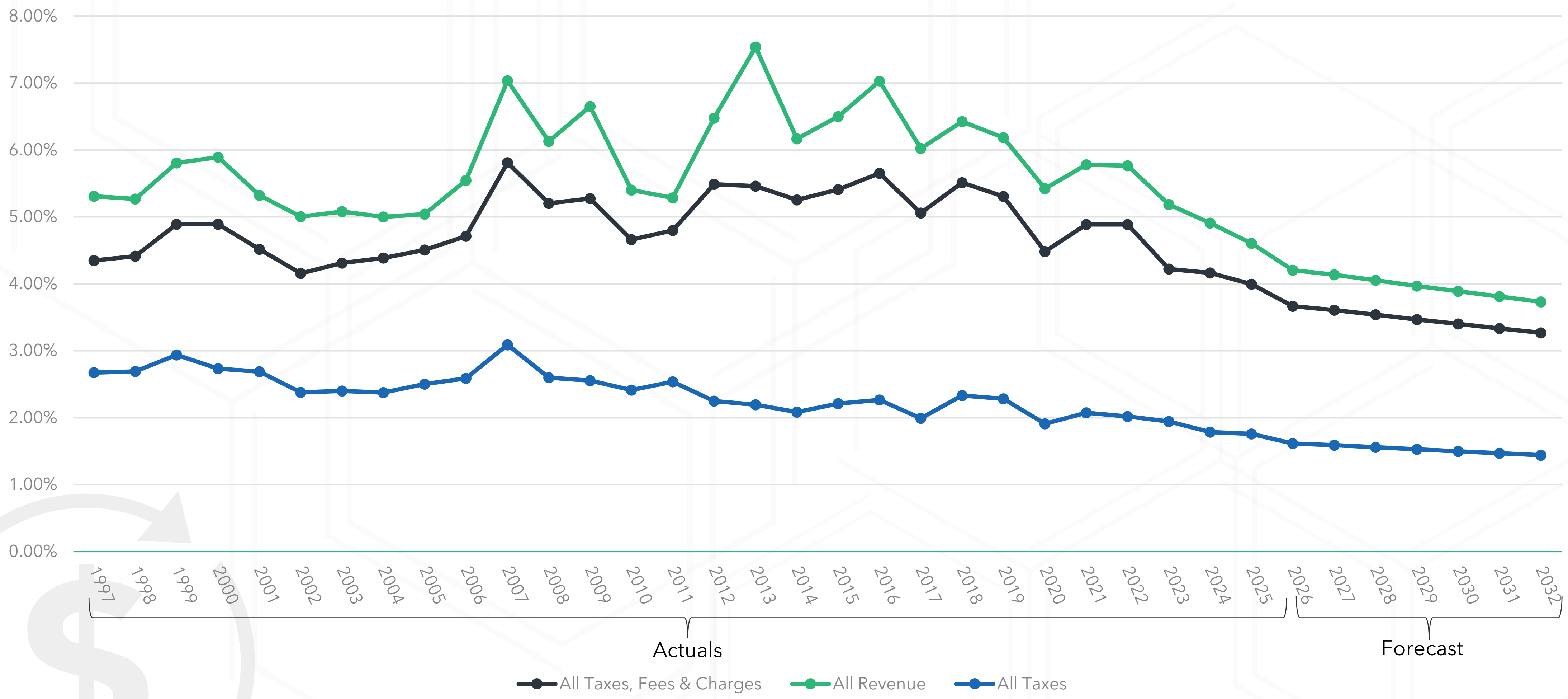
# Community Investment Rate

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

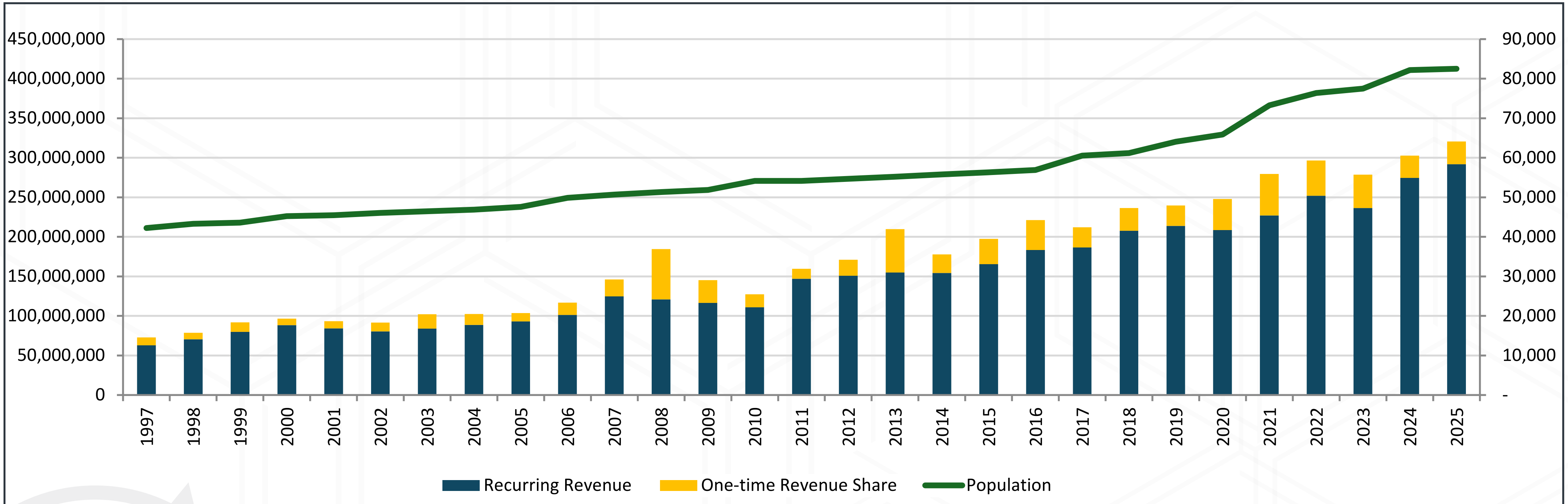
- City Council target threshold 5.2% - 5.5%
- Evidence-based and community-driven process to establish:
  - Reviewed historical revenue collections (1997-present) relative to community personal income.
  - Identified a sustainable historical range of approximately 5% - 6%.
  - Incorporated community 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




1997-2025 actual/adopted - recurring vs. one-time revenue, against population growth

**Population Growth, 1997→2025**

**+95.4%**

*42,230 →82,506 residents*

**Total Revenue Growth, 1997→2025**

**+340.3%**

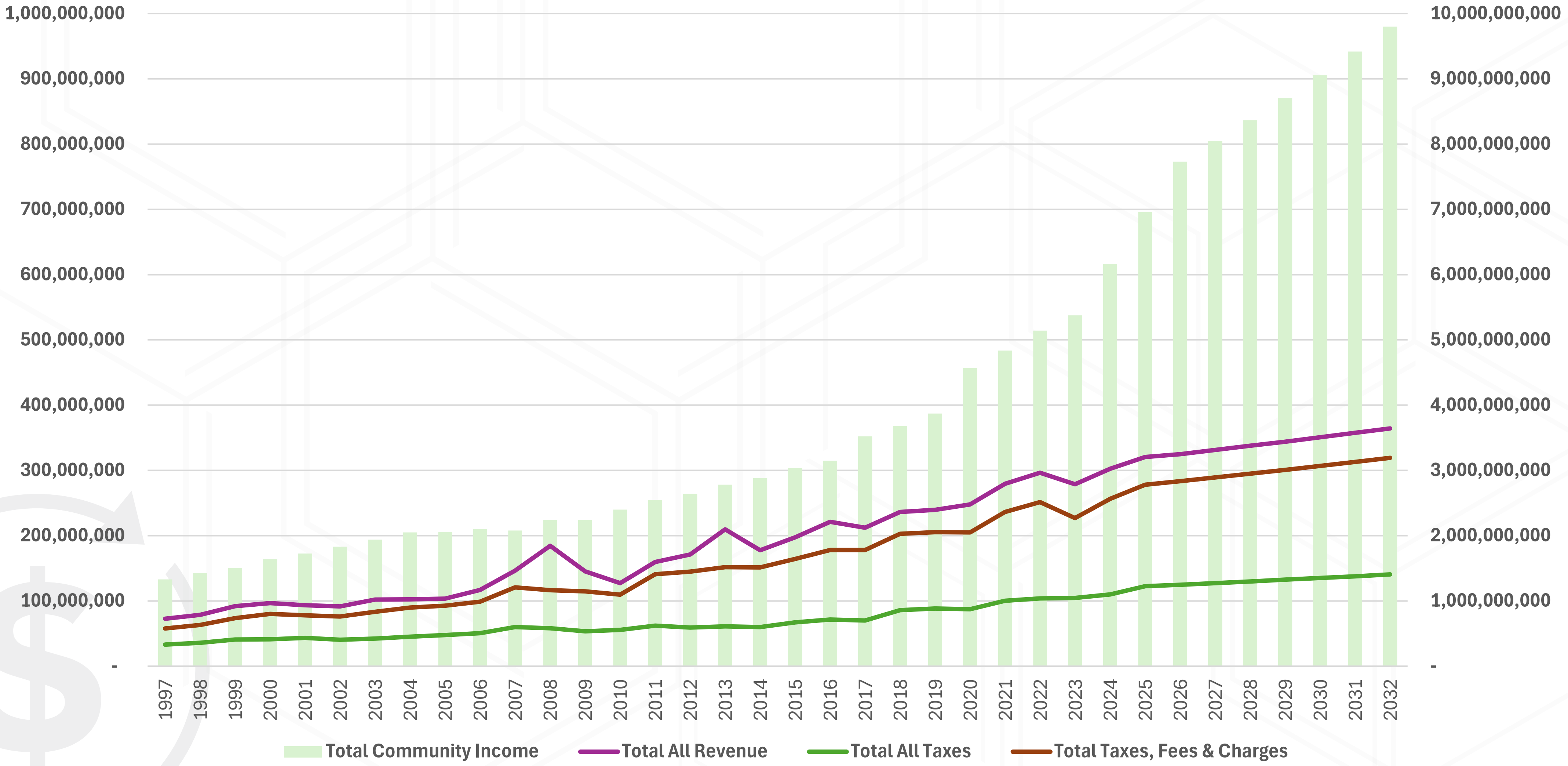
*$63.0M →$320.3M*

**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