
BUDGET BY PRIORITIES

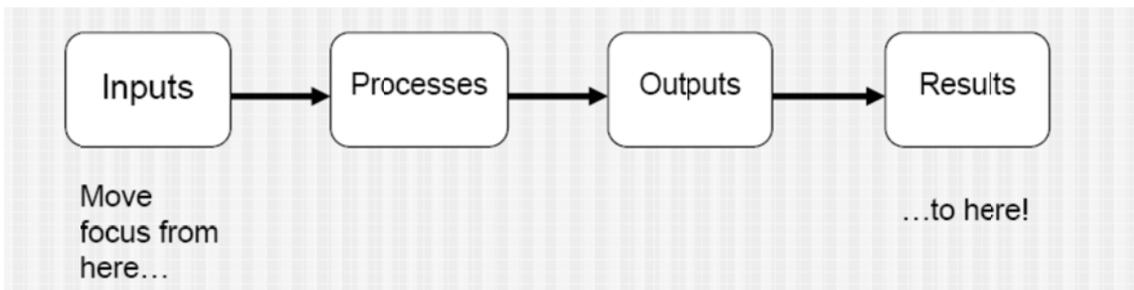
**PROCESS OVERVIEW
BUDGET CALENDAR**

BUDGETING BY PRIORITIES PROCESS OVERVIEW

2015-2016 ADOPTED BUDGET

CITY OF REDMOND

<p>Why Budgeting by Priorities?</p>	<p>Redmond is a unique city that is home to internationally significant worldwide businesses, such as Microsoft, Nintendo, Honeywell and Medtronic (Physio Control). As a result, the City is the third largest employment center in King County with a business population of just over 79,649 and a residential population of approximately 55,840.</p>
<p>A process that is:</p> <p>Transparent</p> <p>Open</p> <p>Citizen Priority Based</p> <p>Approved by Council</p>	<p>Challenged to provide a variety of high quality services to a wide range of customers, the City opted to change its traditional budget methods in 2008. It implemented an innovative approach to budgeting that fulfills the promise Mayor John Marchione made upon his election to office: “a transparent and open budget that is based on priorities developed with citizen input and approved by the Redmond City Council.” Mayor Marchione continues to have the same five objectives for the Budgeting by Priorities (BP) process:</p> <ul style="list-style-type: none">• Align the budget with citizen priorities;• Measure progress towards priorities;• Get the best value for each tax dollar;• Foster continuous learning in the City; and• Build regional cooperation.
<p>Objectives of BP</p>	
<p>Starts with Citizen Priorities</p> <p>Different from Traditional Budgets</p>	<p>To move this vision forward, the City selected the BP process, because it focuses budget decisions on citizen priorities. This is in contrast to the traditional method of budgeting which adds a certain percentage to last year’s budget without assessing if the services result in the outcomes citizens expect. The starting point of the BP process is to identify the intended result of city services toward priorities developed through citizen interaction.</p>



Review of the BP Process

Review Conducted by GFOA

Early in 2010, the City undertook a thorough review of the 2008 BP process. This review was conducted by the Government Finance Officers Association (GFOA) Research and Consulting Center. While the review affirmed that the 2008 BP process was a significant success, it did offer several suggestions for improvements in the future.

Long-Term BP Timeline Adopted

One of the key recommendations of the GFOA’s review was the development of a long-term strategy to continue to build out additional elements of BP over time. A timeline was developed as an element of the GFOA report. The City Council concurred with this recommendation and adopted a long-term BP strategy in early 2011. This budget is consistent with that strategy and continues to make improvements on the City’s innovative approach.

Council Updated Long Range Financial Strategy

In addition to the BP timeline, the Council has also reviewed and updated the Long Range Financial Strategy document first developed in 2005. This policy strategy creates the link between the biennial budget and the long-range financial sustainability of the City while providing high quality services.

Price of Government Below 5.5%

As discussed in the Mayor’s budget message, the City can accomplish these services as adopted in the 2015-2016 Budget while preserving an overall price of Redmond City government for 5.08% of community income (see Budget Overview for a more complete description of the Price of Government).

Revenue Philosophy

Coupled with the City’s Long Range Financial Strategy is Redmond’s revenue philosophy outlined below.

- Assess and maintain fair, equitable and stable sources of revenue;
- Prioritize less volatile revenue sources over more sensitive to changes in the economic climate, such as sales tax and sales tax on construction;
- The “total” tax bill should be considered when increasing rates;
- Limits to taxation; and
- Voters should be asked to approve tax increases when the proposed increase is above a historical rate.

Redmond’s BP Process

Community Focus Groups

To start the BP process in 2008 an independent firm held four focus groups with Redmond residents to determine citizen priorities. The citizens were chosen at random based on gender, age and location. Following the focus group discussions the City held a community workshop where

Six Priorities
Identified

citizens and business owners were invited to give further input and comment on the focus groups' identified priorities.

Based on all the input, the Council approved the following six priorities on March 4, 2008¹:

- **BUSINESS COMMUNITY**
I want a diverse and vibrant range of businesses and services in Redmond.
- **CLEAN & GREEN ENVIRONMENT**
I want to live, learn, work and play in a clean and green environment.
- **COMMUNITY BUILDING**
I want a sense of community and connections with others.
- **INFRASTRUCTURE & GROWTH**
I want a well-maintained city whose transportation and other infrastructure keeps pace with growth.
- **SAFETY**
I want to be safe where I live, work and play.
- **RESPONSIBLE GOVERNMENT**
I want a city government that is responsible and responsive to its residents and businesses.

Community
Engagement

Community engagement is a large part of the BP process. The City begins with an annual, statistically valid, survey of residents and businesses to gauge the effectiveness of City services. The survey results are available at www.redmond.gov. In preparation for the 2015-2016 Budget, Redmond also launched a new interactive tool, "Your City, Your Choice," designed to take the pulse of the community on its priorities. "Your City, Your Choice", a web-based activity, provides education regarding the existing priorities and invites community members to give an opinion on the priority framework. About 1,400 persons shared their views with the City on budget priorities using this tool.

¹ The focus groups also identified education as a priority; however, since education in Redmond is the responsibility of the Lake Washington School District, the Council chose not to allocate limited resources to a priority over which it had no jurisdiction, although educational components are included in several of the six priorities approved by Council.

Advisory Committees	Once the six priorities were determined, the Mayor created several teams to guide the process:
BP Project Team	Project Team – Headed by the Mayor, included executive staff and the Deputy Finance Director to assist the Results Teams and guide the overall process
Results Teams	Results Teams – Originally, six Results Team groups were created and each group was assigned a priority; the teams were made up of four employees from cross-department disciplines and one citizen. The role of the Results Teams was to fashion <i>Requests for Offers (RFOs)</i> based on the priority approved by Council. In 2010, a seventh Result Team was created. This team focused exclusively on the Capital Investment Strategy. See more about this Capital Results Team later in this section.
Civic Results Team	For this biennial review, an additional team was created, called the Civic Results Team. Instead of having one citizen on each Results Team, the Civic Results Team was created exclusively made up of citizens of Redmond. Over the course of two months, the Civic Results Team reviewed the BP process, evaluated and provided feedback on City budget programs and determined the value of those programs to the Community. At the same time, the Team analyzed the programmatic outcomes and assessed the appropriateness of the City’s investment for the outcome achieved. The Civic Results Team provided important feedback to both the departments on their offers as well as the Mayor and Department Directors as they worked to balance the budget.
2014 Changes	
Requests for Offers (RFOs)	<p>REQUESTS FOR OFFERS</p> <p>Each Results Team designed “Requests for Offers” (RFOs) that related to its specific priority by identifying factors and sub-factors that contributed to that priority and developed purchasing strategies that answered the following questions:</p> <ul style="list-style-type: none"> • Where should the City focus its efforts and resources? • Where can the City have the most impact? • Where should Redmond influence others? • Are there generic strategies that apply to all offers?
RFO Process	The Results Teams invited all departments to bid on the RFOs and respond to specific purchasing strategies with the understanding that department offers would be reviewed first and then ranked by the Results Teams upon completion using the factors in the RFOs as criteria.

All City Funds
Included

All funds were included in budget offers: General Fund, Capital Investment Program (CIP), Utilities and Special Revenue Funds. Therefore, all city services received the same level of scrutiny, regardless of the funding source.

Budget Requests
are Submitted as
Offers

OFFERS

An offer is a proposal by a department in response to a RFO that indicates how the proposer will meet the priority, how much it will cost and how the success of the offer will be measured. An offer is a program or set of programs that helps achieve a priority.

Offers can be for an existing service or program, new programs or activities or improvements/changes to existing programs. Innovation was encouraged in all offers, as well as collaboration was emphasized between departments.

Budget Offer
Process

In the BP process, each department must make an offer to provide a service that relates to results (a priority that is citizen driven). Each offer included the following information:

- What are we doing?
- Why are we doing it?
- Who are we doing it for?
- Logic models and corresponding measurements to track performance for each program; and
- What is the baseline offer and how can the offer be scaled, either up or down.

Offers Submitted by
Priority

OFFER SUBMITTALS

Department directors and their budget teams submitted offers based on the priorities that related to their departments. No outside competing offers were accepted in this BP process, but departments were encouraged to collaborate where possible to combine services if it was in the best interest of the City. Each offer needed to contain the following information:

Contents of the Offer

- Description of the Offer – Simple, accurate, succinct, and complete;
- Logic Models and Performance Measures – Describe short and long term benefits, consequences if not funded and measures to gauge the identified outcomes;
- Scalability – Provide logic and evidence to support various funding levels;
- Customer Service – Identify who the customer is and how the offer meets customer needs; and
- Revenue Sources – Identify revenue support

City Staff Used an
“Online” Tool
Designed to Capture
the Needed
Information

High Level
Indicators Developed
to Measure Progress
toward Priorities

Dashboard Indicators
for Each Priority

The City Council
reviewed and
confirmed the
Dashboard for use in
the 2015-2016
Budget process.

Data with regard to
the Dashboard
Measures are
available on the
City's website:
www.redmond.gov/bp.

PERFORMANCE INDICATORS

As a part of the accountability for the performance element of the City's budget process, a performance dashboard was developed in 2011; Council has continued to review this Dashboard used for budget guidance. In 2014, the City merged the Dashboard with its Community Indicators as both present measures of success for the City. Logic models, an additional measuring component, were added to the 2015-2016 Budget as well. Each budget offer includes a logic model which describes how their program or service is linked to one of the City's key performance benchmarks. Redmond's current dashboard measures include:

Business Community:

- The number and average longevity of businesses by category, relative to community goals: retail, restaurant and tourism, services, high-tech and manufacturing;
- Percent of citizens and employees of businesses within the City satisfied with the range of businesses available in Redmond; and
- Percent of businesses satisfied with the services Redmond provides.

Clean & Green Environment:

- Percentage of neighborhoods with convenient access to parks and trails (ability to walk less than a quarter of a mile to a park or trail from home or office);
- Percent of the twelve significant streams that can support native habitat as measured by an index of 35 or higher (for conditions to be healthy for salmon, the Benthic Index of Biotic Integrity (B-IBI) or "bug index" score needs to be 35 or greater);
- Rate of single family residential waste stream (garbage plus recycling); and
- Percent of citizens satisfied with the quality of green spaces and trails (inclusive of parks).

Community Building:

- Percent of Redmond residents reporting they feel informed about community events, programs, volunteer opportunities and issues;
- Percent of residents reporting they are satisfied with their engagement in community events, programs and volunteer opportunities in the community; and
- Percent of Redmond citizens responding positively to a survey question that rates the overall sense of connection to the community.

**Capital Investment
Strategy**

2010 Changes

Infrastructure & Growth:

- Maintenance report card: includes pavement condition, incidence of water main breaks and sewer overflows;
- Mobility report card: ratio of Redmond's transportation supply to transportation system demands (i.e. concurrency);
- Overall satisfaction of Redmond residents with the City's transportation systems;
- Jobs to household balance (i.e. number of jobs in the local job market per household);
- Rents, home sale prices and income as a measure of affordability; and
- The pace of infrastructure development versus the pace of growth.

Responsible Government:

- Percent of community responding positively regarding satisfaction with City services;
- Trend in Redmond's price of government; and
- The City's bond rating.

Safety:

- Quantity of violent crimes (crimes against persons) and quantity of selected property crimes (auto theft, auto prowling and identity theft);
- Percent of times the Redmond Fire and Emergency Medical Services provide a safe response with the right people and necessary equipment within the identified target times; and
- Number of residents engaged in activities related to public safety.

Capital Investment Strategy

One of the observations from the first BP process in 2008 was that a different approach was necessary for the Capital Investment Program (CIP) in contrast to the operating budget. In 2008, the six Results Teams had CIP offers to review along with the operating budget offers. The operating budget is for a period of two years while the CIP covers a six-year term. Also, the source of funds for the CIP is more complex than that for the operating budget.

In 2010, an additional Team, the Capital Investment Strategy Results Team, was established. This team was charged with developing additional criteria in the Request for Offers of the six priorities (there was not an additional priority, but rather just an additional Results Team). If an offer was intended as part of the CIP, it was passed through the priority Results Team to which the offer was submitted to the Capital Results Team.

Additional Criteria
for Capital
Investment Offers

The Capital Results Team reviewed the offer in the context of:

- RFO criteria of the priority under which it was originally submitted;
- Project criteria specific to the CIP;
- Comprehensive Plan;
- Vision for support of development in the urban centers; and
- Additional funding constraints applicable to capital projects.

Capital Investment
Strategy

This process was repeated in 2014 for the 2015-2016 Budget. In addition, a great deal of work occurred between the preparation of the two budgets to update the “Capital Investment Strategy” that looked beyond the six years in pursuit of synergy in the projects and the City’s vision.

Ranking the Offers

RANKING THE OFFERS

When the offers were first submitted, the Results Teams met with the departments to seek clarity on issues prior to critiquing and reviewing the offers. During the first round of offer review, the Results Teams did not have funding allocations, nor were decisions based on mandates. The first round was used to give departments feedback on the content of their offer. It also gave the Results Teams some time to learn and understand their role in the process. Departments were then given the opportunity to improve their offers and make adjustments based on advice from the Results Teams. During the second and final review, the Results Teams ranked the offers with estimated funding allocations.

Mayor’s Efforts to
Develop the
Adopted Budget

ADOPTED BUDGET

In July 2014, the Mayor received the Results Teams rankings, with suggested funding levels for the various offers. The Mayor met with all the Results Teams for their insights into the process and to understand how they arrived at their conclusions.

Department
Directors Team
Involved

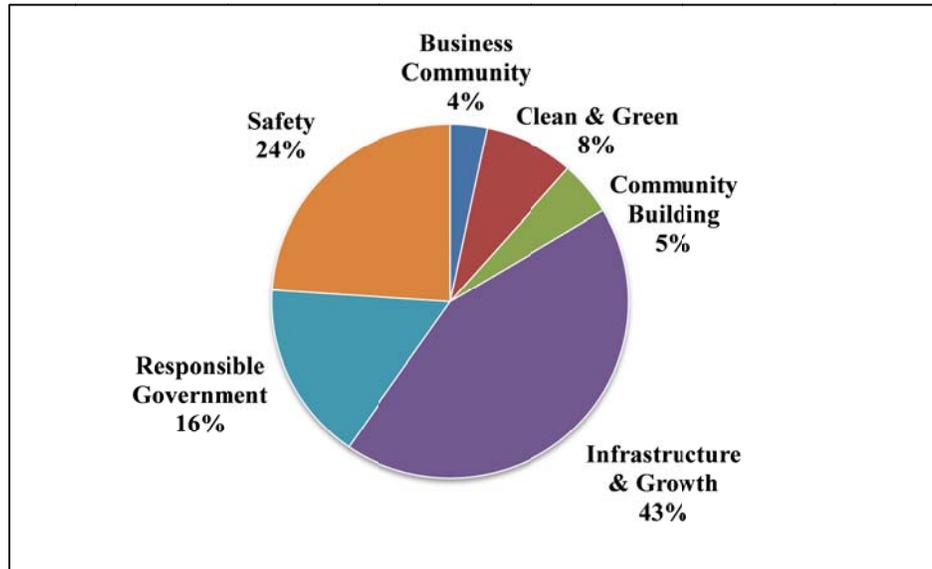
The Mayor worked for several weeks with the Directors Team to review the recommendations of the Results Teams and make adjustments to address revenue constraints and other needed changes.

Final Decisions
Developed

When the final revenue estimates for the 2015-2016 Budget became available in August, the Mayor finalized the decisions necessary to present a budget to Council that was structurally balanced, reflected the recommendations of the Results Teams, and responded to the priorities recommended by citizens.

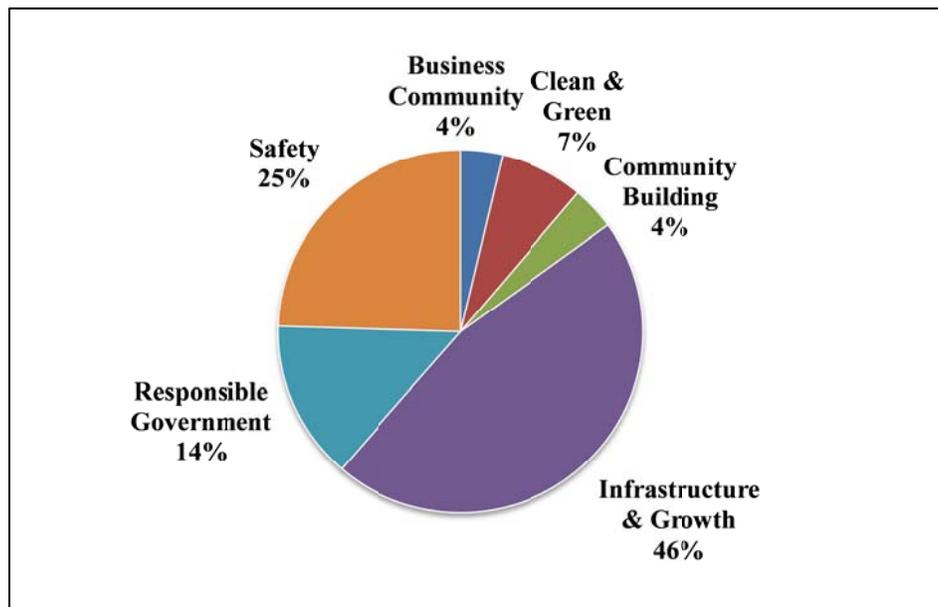
Funding by Priority
in 2013-2014 Budget

Funding of Operations by Priority Adopted 2013-2014 Budget



Compared to
Funding by Priority
in Adopted
2015-2016 Budget

Funding of Operations by Priority Adopted 2015-2016 Budget



Use of Budgeting by
Priorities is Affirmed
by the Results

BP PROCESS AFFIRMED

The Mayor's vision for the BP process has resulted in more than just a budget. The inclusion of the community in outlining the priorities and the creation of Results Teams to craft Request for Offers has expanded the budget process to include many staff, as well as citizens who never had the opportunity to be engaged in their community or its

**Innovations and
Efficiencies**

Public Safety
Innovations

government in this manner. Creating interdepartmental teams allowed staff to better understand what other departments accomplish, while the Civic Results Team formed a citizen perspective on how the services are viewed by community members. City employees are included in the budget process to a much larger extent than in the past; those who were not directly involved met with the Mayor regularly to ask questions and gain information.

Over the past two biennia, staff have been investigating ways of doing businesses differently. The City has a long standing history of both contracting out services and being a service provider to other jurisdictions.

City staff have developed an inventory of innovation and efficiency efforts to date whether it is pursuing outsourcing as the most effective way to do business or exploring process improvement systems to enhance service delivery. These activities include:

Public Safety

- Effective partnerships with service providers, such as Fire District #34, King County Advanced Life Support, North East King County Regional Public Safety Communication Agency (NORCOM) and neighboring jurisdictions;
- Pursuing regional fire training solutions;
- Cost effective jail management (the Police Department just signed an agreement with South Correctional Entity which has allowed the City to reduce jail costs by another \$130,000);
- Regional information sharing of crime data;
- Partnering with Eastside Public Safety Communications Agency (EPSCA) for public safety radio services;
- Outsourcing police vehicle fitting;
- Connecting with the Redmond Community through the Neighborhood Resource Officer Program; and
- Continued improvement on performance measure of responding to Public Records Request within five days 90% of the time – 2011 equaled 61% and mid-2014 was 84% with less staffing.

Regional Activities
Process

Regional Efforts

- Providing services, such as Police Dispatch to the Cities of Carnation and Duvall, as well as fire equipment maintenance to the Cities of Bothell and Mercer Island;
- Cooperative training activities via Human Resources;
- Delivering and funding human services;
- Providing affordable housing through A Regional Coalition for Housing (ARCH);
- Development of permanent winter shelter site;
- Economic Development partnership with OneRedmond and King County Economic Development Council;
- Support coordinated regional land use planning efforts through the Puget Sound Regional Council (PSRC), the Growth Management Planning Council (GMPC) and King County;
- Develop transportation and transit investments and services via partnership with PSRC, Sound Transit and METRO;
- Collaboration with Eastside Rail Corridor for the Redmond Central Connector;
- Deployment of Operative IQ Medical Inventory and Vehicle Asset Management software;
- Implementation of Eso Solutions tablets and associated software to facilitate patient reporting;
- Relationship with Cascade Water Alliance (CWA) for water delivery;
- Providing planning services to the City of Duvall; and
- Regional partnership with King County and other local agencies for stormwater and wastewater services.

Improvement
Initiative

Process Improvement

- Use of the “Price of Government” as policy basis for revenue discussions/decisions;
- Implementing new technology, such as Dynamics AX 2012 for accounting and project management and Energov for permitting;
- Integrated online planning information, access and tools;
- LEAN process and outreach improvements for commercial development permits;
- Implementing SIRE technology for online Council agenda creation, coordination and dissemination;
- Establishment of new model for Information Services customer service desk;
- Centralized City communication and outreach efforts;

Innovation
Fund to
Support New
Initiatives

- Co-location of business license services with permitting services;
- Information Technology Strategic Plan implementation, including governance model and service management process;
- Implementation of “You Count” park data collection program;
- Instituting a new wellness program and implementing dependent premium cost-sharing;
- Leveraging transportation grant administration;
- Centralizing facilities and fleet maintenance services;
- Instituting new performance measure process through logic models;
- Integrating Council dashboard measures with the Community Indicators Report;
- Development and use of asset management principles, tools and systems for efficient management of infrastructure assets; and
- Capital project delivery process improvements including phase gates, standardized governance processes and construction contract management improvements.

Innovation Fund Efforts

In conjunction with the innovation and efficiency activities listed above, in the 2013-2014 Budget money was set aside to form an Innovations Fund to be used as seed money to initiate creative ideas that would build service capacity or provide a return on investment. The Innovation Fund projects selected for 2013-2014 are listed below. Some of these projects are ongoing while others are complete, but the City continues to check the performance outcome of each of these ideas.

- Repurposing of equestrian space;
- Maintenance and Operations Center emergency response coordination improvements;
- Online volunteer recruitment and management tool;
- Adding capacity to the City’s liquid de-icing capabilities;
- Use of Microsoft Cloud resources for information technology testing and development;
- Implement Ideascale for community-sourced feedback; and
- Instituting public safety scheduling software.

Budget by
Priorities

Budget by Priorities is the implementation of the operating plan through deploying financial resources. It resets the focus every two years on accomplishing as much in the way of service provision to the community as resources will allow. It affirms the value of the services provided through a robust use of performance management where each programs' intended outcomes are described through a logic model. The data about past performance is also part of the analysis.

Personnel is a Key
Focus Area

The BP process focuses on outcomes; however, those outcomes are achieved by careful deployment of resources. The primary resource used by the City to provide community outcomes is personnel. As a result, personnel costs amount to approximately two-thirds of all expenditures. The ability to maintain a well-trained, well-equipped workforce is crucial to the provision of reliable services.

**Capital
Investment Plan**

The Capital Investment Strategy results in a mix of projects and programs implemented by the City. These are described in the Capital Investment Program (CIP). The CIP is a list of projects and programs that are presented by the year of implementation, the functional area (e.g. water, parks and transportation), as well as the location and cost of the project/program. Since capital resources are included in the Price of Government, the ability of the City to afford the various capital investments is also affected by the "price" (see more detail on the Price of Government in the Budget Overview section of this document).

The BP process has served Redmond well as a way to identify those city services that are the most valuable to citizens of Redmond. It also focuses the process on efficiency and real results.

BUDGET CALENDAR
2015-2016 BIENNIAL BUDGET
CITY OF REDMOND

TASK	2014 DATE
Community Survey Discussion of Results	February 4
Council Retreat	February 22
Council Briefing on BP Process/Calendar/Citizen Engagement (PAF Committee)	February 25
Community Web Questionnaire Discussion of Results	March
Launch Budget Interactive Tool (partnership with DigiPen)	March-June
2013 Community Indicators/Performance Measures	March-April
Request for Offers Development by Results Teams	By March 14
Council Briefing on Request for Offers (PAF Committee)	March 25
Meetings of Civic Results Team	April 24-June 26
Departments Submit First Round Offers	May 5
Public Hearing #1 – Budget and CIP	June 17
Departments Submit Final Offers	July 3
Council Briefing on POG and Preliminary Revenue Projections/Utility Rate Estimates	July-August
Budget Balancing with Mayor/Department Directors	July-August
Development of Preliminary Budget	August-September
Preliminary Budget and Six-Year Financial Forecast distributed to Council; Results Teams Briefed	October 7
Public Hearing #2 – Budget and CIP	October 21
City Council Study Sessions on 2015-2016 Biennial Budget	October 28, 30(Th) November 6(Th); 13(Th); 20(Th)
Public Hearing #3 – Budget and CIP	November 18
City Council Adoption of the 2015-2016 Biennial Budget	December 2
City Council Adoption 2015 Property Tax Levy	December 2
Council Debrief of 2015-2016 BP Process	January 2015