
BUDGET BY PRIORITIES

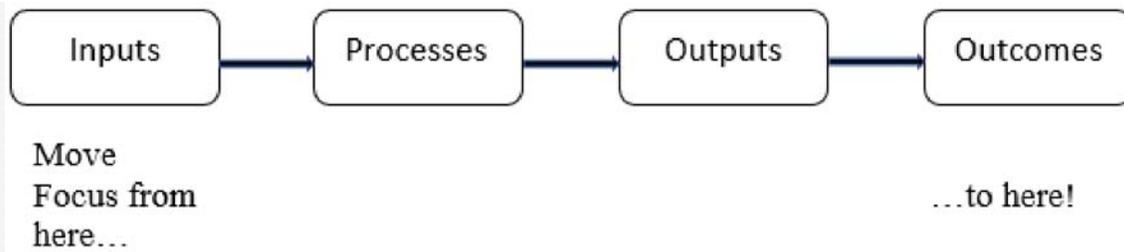
**PROCESS OVERVIEW
BUDGET CALENDAR**

BUDGETING BY PRIORITIES PROCESS OVERVIEW

2019-2020 PRELIMINARY BUDGET

CITY OF REDMOND

<p>Why Budgeting by Priorities?</p>	<p>Redmond is a unique city that is home to internationally significant businesses, such as Microsoft, Nintendo, Honeywell, SpaceX, Physio Control and Planetary Resources. As a result, the City is the third largest employment center in King County with a business population of 94,059 and a residential population of approximately 64,050.</p>
<p>A Process that is: Transparent Open Resident Priority Based 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 resident 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>
<p>Objectives of Budgeting by Priorities</p>	<ul style="list-style-type: none"> • Align the budget with resident priorities; • Measure progress towards priorities; • Get the best value for each tax dollar; • Foster continuous improvement and learning; and • Build regional partnership and cooperation.
<p>Starts with Resident Priorities Different from Traditional Budgets</p>	<p>To move this vision forward, the City selected the BP process, because it focuses budget decisions on resident 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 residents expect. The starting point of the BP process is to identify the intended outcome of city services toward priorities developed through resident interaction.</p>



**Review of the
Budgeting by
Priorities Process**

Review Conducted
by GFOA

Long-Term
Budgeting by
Priorities Timeline
Adopted

Council Updated
Long Range
Financial Strategy

Price of
Government at
6.0%

Revenue
Philosophy

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.

One of the key recommendations of the GFOA's review was the development of a long-term strategy to continue to build out elements of BP over time. A timeline was developed as a result 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 this innovative approach.

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 and is updated every biennium consistent with the budget.

The City can accomplish the services as proposed in the 2019-2020 Budget while preserving an overall price of Redmond City government at 6.0% of community income. This is an increase from the 2017-2018 budget; however, a large portion of this increase is attributable to transportation grants and capital contributions. Removing the large one-time revenue collections drops the Price of Government to 5.4% over the biennium (see Budget Overview for a more complete description of the Price of Government).

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 those more sensitive to changes in the economic climate, such as sales tax and sales tax on construction;
- Consider the "total" tax bill when increasing rates;
- Protecting limits to taxation for residents and businesses; and
- Seek voter approval when a proposed tax increase is above historical rates.

**Redmond's
Budgeting by
Priorities Process**

Community Focus
Groups

Six Priorities
Identified

Community
Engagement

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

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

Community engagement is a large part of the BP process. The City typically begins with an annual, statistically valid, survey of residents and businesses to gauge the effectiveness of City services. This survey assists the Results Teams and City leadership in understanding the changing needs of Redmond residents, which helps inform where funding should be

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. Educational components are included in several of the six priorities approved by Council.

	<p>allocated in the coming budget cycle. Survey results are available at www.redmond.gov.</p>
<p>Advisory Committees</p>	<p>Once the six priorities were determined, the Mayor created several teams to guide the process:</p>
<p>Budgeting by Priorities Project Team</p>	<p>Project Team – Includes staff from the Executive and Finance Departments that assist the Results Teams and guide the overall budget process.</p>
<p>Staff Results Team</p>	<p>Staff Results Team –The role of the Results Team is to develop “Requests for Offers” (RFOs) for each priority. In past budget processes, six results teams were created and each was assigned one community priority. In an effort to streamline and improve the process for the 2019-2020 budget, only one Staff Results Team was created and given responsibility for all six priorities. The team consisted of one representative from each City department, for a total of nine members. Development of the 2019-2020 RFOs was a joint effort between Department Directors and the Results Team. As a team, the Directors drafted three to four outcomes and objectives for each priority; outcomes are the building blocks to creating success in each community priority while objectives advise on the best methods to reach desired outcomes. The Staff Results Team then analyzed the Directors’ draft outcomes and objectives to check for accuracy, clarity, and alignment with the City vision; they also expanded upon them to give more detail on how each outcome is important in fulfilling community priorities.</p>
<p>Civic Results Team</p>	<p>Civic Results Team – The Civic Results Team was first created in 2014. Instead of having one community member on Staff Results Teams, the Civic Results Team was created exclusively made up of Redmond residents and business representatives. Over the course of two months, the Civic Results Team reviewed the BP process, evaluated and provided feedback on budget offers and provided input on the value to the community of the programs included in the offers. At the same time, the team analyzed the programmatic outcomes and assessed the appropriateness of the City’s investment for the outcomes achieved. The Civic Results Team provided important feedback to offer writers as well as recommendations to the Mayor and Department Directors as they worked to balance the budget.</p>
<p>Requests for Offers (RFOs)</p>	<p>REQUESTS FOR OFFERS The Staff Results Team, in collaboration with the Directors</p>

Request for Offers
Process

Team, designed Requests for Offers that relate to each specific priority by identifying outcomes that contribute to that priority and developing objectives that answer the following questions:

- 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?

Budget Requests
are Submitted as
Offers

The Results Team invited City staff to submit budget offers that responded to the RFOs and to specific objectives, with the understanding that the offers would be reviewed and ranked by the Results Team upon completion, using the outcomes and objectives in the RFOs as criteria.

BUDGET OFFER SUBMITTALS

A budget offer is a proposal by City staff in response to a RFO that indicates how the services and programs included in the offer will meet the desired outcomes of the priority, how much it will cost and how the success of the offer will be measured.

Budget Offers
Submitted by
Priority

Offers can be for an existing service or program, new programs or improvements to existing programs. Innovation, process improvement, consolidation of services and cross-departmental collaboration were encouraged in the development of budget offers. No outside competing offers were accepted in this BP process. Each offer was required to contain the following information:

Contents of the
Offer

- Description of the Offer – Simple, accurate, succinct, and complete:
 - What are we doing?
 - Why are we doing it?
 - Who are we doing it for?
 - What results and outcomes are achieved?
- Performance Measures and Logic Models – Describe short and long-term benefits of the investment, consequences if not funded and measures to gauge the identified outcomes;
- Scalability – Provide options and evidence to support various funding levels;

All City Operating
Funds Included

High-Level
Indicators
Developed to
Measure Progress
toward Priorities

Dashboard
Indicators for Each
Priority

- Levels of Service – Describe the levels of service that are provided and how they are impacted by increases and decreases in funding; and
- Process Improvement Efforts – Describe process improvement efforts that have been undertaken to increase capacity and create efficiencies.

All City operating funds were included in budget offers: The General Fund, Utility Funds, Special Revenue Funds and Internal Service Funds. Therefore, all city services and programs, outside of the Capital Investment Program (CIP), received the same level of scrutiny, regardless of the funding source. Due to their complex nature, CIP funds follow a different but similarly rigorous budgeting process, outlined below in the Capital Investment Strategy section.

PERFORMANCE INDICATOR DASHBOARD

As a part of the accountability for the performance element of the City’s budget process, a Performance Indicator 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 sought to present measures of outcomes for the City. Logic models, an additional performance component, were added to the budget process in 2014. Each budget offer includes a logic model which describes how their programs or services are linked to one of the City’s key performance indicator dashboard measures.

In June 2015 a cross-departmental staff team was convened to review the dashboard indicators and measures created in 2011. They began reviewing the dashboard indicators and measures to evaluate whether they were an effective tool in analyzing the success of each of the City’s priorities. In their evaluation, the Dashboard Measure Review Team examined previous efforts to establish the performance indicator dashboard and measures, conducted research of other leading organizations and their dashboards, and worked through each measure analyzing the ease of collection, timeliness and validity of the associated data as well as recommended new indicators and measures to support some of the City’s major initiatives.

After several months of analysis and discussion the team recommended a number of revisions and changes to City Council. These recommendations were reviewed with the Council and approved in 2016.

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

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. 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 timeframe. Also, the sources of funding for the CIP are more complex than those for the operating budget.

In 2010, an additional Team, the Capital Investment Program Results Team, was established. This team was charged with developing additional criteria in the Requests for Offers of the six priorities (there was not an additional priority, but rather an additional Results Team). If an offer was intended as part of the CIP, it was passed through the priority Results Team and submitted to the Capital Results Team. The Capital Results Team reviewed the offer in the context of: RFO criteria of the priority under which it was submitted, criteria specific to the CIP, Comprehensive Plan, Vision for support of development in the urban centers, and funding constraints applicable to the Capital Investment Program.

Improved Process
for Development of
the City's Capital
Investment Strategy

This process was repeated in 2014 for the 2015-2016 Budget, but it was found that the City still lacked an approach that would allow for the prioritization of capital investments and the allocation of resources across functional areas. In 2015 it was determined that the use of the City's adopted Vision Blueprint: Redmond's Capital Investment Strategy (CIS) could provide the alignment needed with the budget process. The CIS looks at near-term investments that cover the same six-year timeframe as the City's Capital Investment Program, and also provides a longer-term outlook into Redmond's capital needs to advance the City vision.

The goal of the CIS is to provide a framework that aligns the City's capital activities with Redmond's 2030 Comprehensive Plan and spans all four areas of the City's investments including: preservation and maintenance; resolution of existing deficiencies; keeping up with growth consistent with current levels of service and enhancing community character with projects that enable community building and support economic vitality. Since CIS adoption in 2011 the goal has been to update the strategy every two years. Beginning with the 2017-2018 budget process staff has worked to revise the timing of the update of the first six-years of the CIS to align with the budget process schedule. In addition, an added

Thematic Strategies

element of project prioritization became a requirement of the update process.

In order to establish a method for project prioritization, staff started with the development of Thematic Strategies that focus on the key desired outcomes of capital investments for the next six years; these Thematic Strategies are reviewed and updated each biennium. The Thematic Strategies developed for the 2019-2024 CIP are as follows:

- Invest in infrastructure preservation and replacement across the City to maintain the current levels of service, reliability of capital assets, and provide timely and cost-effective replacement;
- Continue infrastructure design and construction in Overlake and Marymoor village to prepare for light rail in 2023 and support development of livable urban neighborhoods;
- Invest in neighborhoods with key projects that increase transportation choices, connections, enhance safety and improve opportunities to recreate;
- Continue to invest in preservation, restoration and enhancement of natural areas;
- Maintain Downtown as a vibrant urban center; and
- Continue investments in key opportunity projects that support economic and community vitality.

Principles

A foundational component of the process are the Principles to describe qualities that lead to improved effectiveness and results to the CIS and the CIP, as outlined below:

- Develop and implement a six-year Capital Investment Program that results from proactive project prioritization and alignment of delivery commitments with our funding and resource capacity;
- Provide good stewardship of existing City infrastructure to ensure that these assets are well-maintained and reliable;
- Use functional plans and Redmond's Capital Investment Strategy as the primary source of planned

capital investments;

- Continue to strategically leverage funds and capital investment opportunities working in partnership with other agencies and the private sector when consistent with the capital investment priorities of the City;
- Develop innovative strategies to fund infrastructure and strategically use all available resources; and
- Maintain an impact fee system to ensure that growth pays a proportionate share of the cost of capital facilities related to new development.

Prioritization
Criteria

Each functional area (transportation, parks, general government and utilities) then submitted proposed projects for the next six-year period. The team ranked the projects against set criteria to develop a prioritized six-year citywide CIP. The purpose of the criteria was to provide specifics to inform prioritization.

2019-2024 Capital
Investment Program

Through the application of the Thematic Strategies, Principles and Criteria staff presented a proposed 2019-2024 Capital Investment Program for consideration in the budget process. The proposal connects Redmond's vision and Capital Investment Strategy to the budget process by demonstrating the value of each investment and ensuring the alignment of resources with the commitment to deliver. The proposed six-year CIP informed budget offers that are responsible for the maintenance of new infrastructure.

Ranking the Offers

RANKING THE OFFERS

Prior to ranking budget offers the Staff Results Team received training from the Finance Department which covered topics like: the anatomy of a budget offer; detailed financial, budget process and CIP overview; performance measurement and its relation to the budget; and how to rank budget offers. The Results Team also received presentations from each Department Director covering topics such as: primary customers of the department; process improvement work; key performance measures and trends; services and programs housed in the department; departmental long-term goals and strategic outcomes; and goals for the 2019-2020 budget process. This information helped give the Team a more comprehensive knowledge of how their decisions and recommendations would affect City services. The Results

Mayor's Efforts to
Develop the
Preliminary Budget

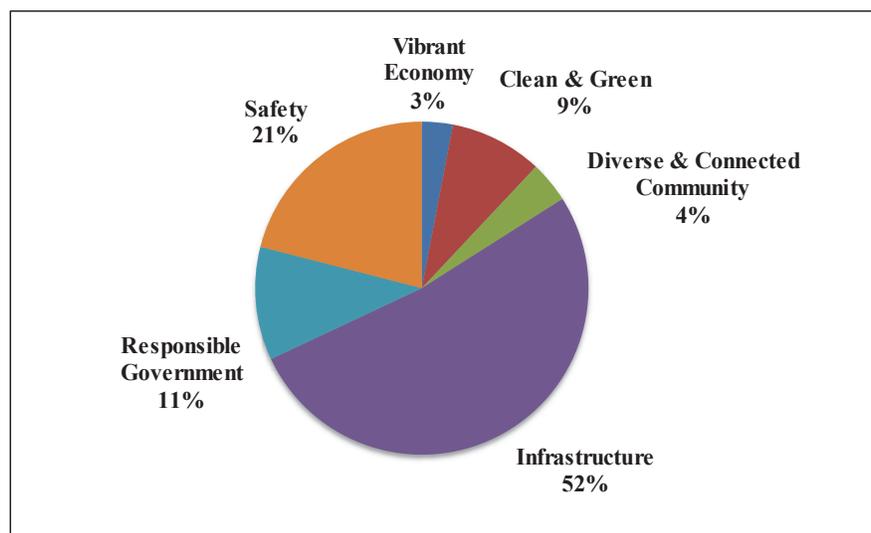
Team was then provided a ranking matrix to assist them with ranking each priority's offers using uniform criteria. After receiving the budget offers, Results Team members conducted independent review and ranking of each offer, followed by ranking offers together as a team. In effort to improve upon the budget process from previous cycles, the Results Team was not given a limited dollar allocation with which to fund offers. This approach gave the team more time to focus on discussion and debate regarding the community's need for programs and services provided in each offer, as well as what items they would add or remove from offers to provide the best value for taxpayer dollars. With only one Staff Results Team doing work for all of the priorities, the members were able to give recommendations to City leadership based on a comprehensive view of City services as laid out in budget offers.

RECOMMENDED BUDGET

In June 2018, the Mayor received the Staff Results Team's rankings and feedback, as well as input from the Civic Results Team. 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, strategic initiatives and other needed refinements. When the final revenue estimates for the 2019-2020 Budget became available in August, the Mayor and Department Directors finalized the decisions necessary to present a budget to Council that is structurally balanced, reflects the recommendations of the Results Teams, and responds to the outcomes sought for each resident priority.

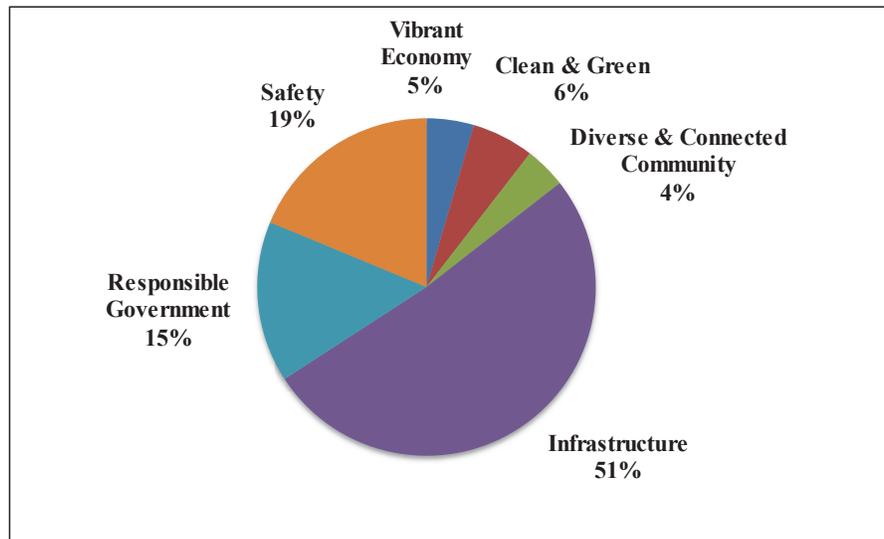
Funding by Priority
in 2017-2018
Budget

Adopted 2017-2018 Budget by Priority



Compared to
Funding by Priority
in Adopted
2019-2020 Budget

Adopted 2019-2020 Budget by Priority



Use of Budgeting
by Priorities is
Affirmed

BUDGETING BY PRIORITIES PROCESS AFFIRMED

The Mayor’s vision for the BP process has resulted in more than just a budget. Inclusion of the community in outlining the priorities and involvement of City staff on the Results Team has expanded the budget process to include many staff, as well as residents who never had the opportunity to be engaged in their community or its government in this manner. Creating one large interdepartmental Results Team allowed staff to deepen their understanding of financial structure and services provided to the community, while the Civic Results Team formed a resident 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 are provided opportunities to meet with the Mayor regularly to ask questions and gain information.

Continuous Improvement

CONTINUOUS IMPROVEMENT

Beginning in 2014, with 29 City staff members going through an intensive 10-week Lean Green Belt training program, the City has completed an inventory of continuous improvement efforts. These efforts range in scope from impacting service delivery at a citywide level, to making small improvements to internal processes in order to save time and materials. This culture of continuous improvement continues to permeate the organization and is now reflected in this biennium’s budget offers. In previous budgets, this section featured selected process improvement efforts completed by staff; new for this biennium, offer writers have highlighted process improvement

Lean and Process
Improvement

**Budgeting by
Priorities**

Personnel is a Key
Focus Area

efforts conducted over the previous biennium, which are related to the services the offer delivers. This process improvement work and accompanying narrative has assisted both Results Teams and City leadership in deciding whether additional funding is needed to increase service levels, or if more process improvement work can be done before additional resources are allocated.

Budgeting by Priorities is the implementation of the operating plan through deploying financial resources. It resets the focus every two years on accomplishing as much 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 and trends are also part of the analysis.

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.

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

BUDGET CALENDAR
2019-2020 BIENNIAL BUDGET
CITY OF REDMOND

TASK	DATE
Council Briefing on Budget Calendar (FAC)	January 23
Council Retreat	January 27
Long Range Financial Strategy Review	January - February
Council Briefing on BP Process/Citizen Engagement (FAC)	February 27
Council Briefing on Request for Offers (FAC)	March 27
Citizen Engagement	March-September
Departments Submit Initial Offers	April 26
Meetings of Civic Results Team	April 26-June 28
Council Briefing on Capital Investment Strategy (Study Session)	May
Departments Submit Final Offers	May 25
Public Hearing #1	June 19
Council Briefing on POG and Preliminary Revenue Projections (Study Session)	July 24 & 31
Budget Balancing with Mayor/Department Directors	July-August
Development of Preliminary Budget	August-September
Preliminary Budget and Six-Year Financial Forecast to Council	October 2
Results Team Briefed on Preliminary Budget	October 2
Public Hearing #2	October 16
City Council Budget Review (Study Sessions)	October 23, 25 (Th), 30 November 1 (Th); 8 (Th); 13; 15 (Th)
Public Hearing #3	November 20
City Council Adoption of the 2019-2020 Biennial Budget	December 4
City Council Adoption 2019 Property Tax Levy	December 4
Council Debrief of 2019-2020 Budget Process	January 2019

