Redmond's Financial Strategy
A six-year long-range financial strategy

A joint work product of the Mayor and City Council
of the City of Redmond Washington

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Mayor John Marchione

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Foreword [1]

What is a long-range financial strategy?

The long-range financial strategy is intended to provide a framework within which the Redmond City Council can make budget decisions over the next several budget cycles. But just as importantly, it encourages a deeper understanding of the City of Redmond revenue choices and the service commitments, implied or otherwise, that we make to our citizens.

How does the development of this financial strategy help us?

The City Council has shifted the manner in which we think about and approve the Redmond budget. The paradigm shift moved us from a process that focuses on cost to one that focuses on that which matter most to our citizens – results.

Why did we change the budgeting paradigm?

Our fiscal environment is ever changing. We are in a period of continued budget challenges characterized by an unrelenting series of cost drivers. Within this environment, the past budget model, budgeting for cost, leads to a spending profile that sustains existing programs and services – without the financial resources to support those services or the mechanisms to easily explain the need for new resources.

The fiscal environment has changed significantly since the budget for cost model was developed. In the days of its use, it was satisfactory to explain that the city spent money on police, fire, water, sewer, parks and roads. Each sector and its outcomes seemed obvious and understood by most.

Today even the simple is complex. Take for instance the Fire Department whose mission has changed such that it is frequently referred to as Emergency Response. Or, take as another example the role of an Information Services function, which in an era gone by, did not even exist. Yet we continue to discuss expenditures without fully appreciating the impacts and results these services provide.

What are the guiding philosophies for this long-range financial strategy?

1. Acknowledge the relationships between taxes, the economics of businesses and individuals, perceptions, and the services delivered to the community.
2. Continue a contextual shift in the City of Redmond's financial planning towards service priorities and results in support of citizen expectations.
3. Define the priorities for services to be delivered from the perspective of the service recipient.

With these issues and philosophies in mind, the Redmond City Council in partnership with the Mayor and his Directors Team, has developed this long-range financial strategy. It is intended to be a working framework document and subject to frequent discussion with at least annual review.

1 [1] ***This forward is based on that which was included in the "Navigating the Rapids" documenting the Council's Long Range Financial Strategy dated November 2005. This document builds on that work and updates it for the substantial progress that has been made since that time.***

Using a Strategic Financial Plan to Guide Redmond's Financial Decisions [2]

In "The Price of Government" [4] by David Osborne and Peter Hutchinson the authors suggest that "the public sector has entered an era of perpetual fiscal crisis" and that only a completely new approach would regain the public's trust and create a sustainable approach to funding of public services. Managing in a volatile economic environment requires both a sense of purpose and flexibility to be responsive to changing conditions. Challenges and choices facing any municipality these days can include the following:

Significant economic decline where discretionary revenues fell from one biennium to the next
The rising cost of health care
Environmental issues.
Homeland security
Tax revolt coupled with demands for more services
State-wide tax payer initiatives
Inadequate antiquated state revenue options
Service level declines
An aging infrastructure
Devolution by federal and state governments
Unfunded mandates
Downturn in development activity – a significant downturn / bursting "housing bubble"
Inflation/recession
A growing population
Growing diversity in cultural, economic, nationality
Under funded retirement obligations
Changing crime (high tech) fueled by drug/alcohol abuse
An aging population
Imbalance of housing and jobs

The task is to continually evolve our strategy for addressing these challenges and choices in the years ahead.

[2] ***This page was included in the Council's Long Range Financial Strategy dated November 2005. Since that time, while many of the same challenges remain, additional challenges have surfaced and those identified in 2005 have evolved a bit. Changes have been made to the original page as it appeared in 2005 and are underlined for clarity in this presentation.***

Chapter I - Our Vision about the Community and its Government

The "vision" for the Redmond community has evolved over the years. However a few constants remain unchanged. Redmond city government has a commitment to engage with the community as we strive to understand and serve its needs and interests. This is in the context of the role of the city as described by the State of Washington. Much of that role is determined in the Growth Management Act (GMA)[3] which clarifies that cities are urban service providers. The GMA includes a mechanism that results in growth targets for cities and a planning model for providing services. The adopted growth targets for Redmond call for 44% increase in population by 2030. Of that increase, 67% is slated to occur in the urban centers of the Downtown and Overlake areas. Sixty percent of new commercial space is expected to occur in the urban centers as well. As a result, our vision needs to preserve what we want the character of our community to be while accommodating the growth that will continue to occur.

The vision is to realize Redmond's future as a city with two vibrant urban centers, where connected neighbors are preserved, and provide high quality responsive services in partnership with an engaged community.

As a result of this vision statement, infrastructure investments should be made that will reinforce the urban centers, Downtown and "Overlake", as growth areas and preserve the character of Redmond's residential neighborhoods. Downtown is further along the urban center development / redevelopment track. As such real projects have been and are currently being developed in this area. As a result, significant redevelopment has already occurred and is expected to continue to occur.

Overlake is not yet as far along in development. While much commercial development has occurred in this job center, planning is currently underway on ways to encourage and support the type of additional development / redevelopment envisioned for the area. Infrastructure investments are not as mature in the Overlake area compared to Downtown as yet.

Several planning efforts also support the vision. These include:

Comprehensive Plan
PARCC Plan
Transportation Plan
Stormwater Plan

Downtown & Overlake Neighborhood Plans

Long-term Capital Investment Strategy (work in process)

[3] **Chapter 36.70A RCW**

Chapter II - The Current Situation

The 2005 long range financial strategy helped to clarify the need for additional revenue options to deal with anticipated deficits. It made the case for a better sense of context for city revenues. Chapter V – Priorities – discusses the need to understand and engage with the community over their priorities in service from the city. As a result, the City first utilized the "Budgeting by Priorities" (BP) methodology in its 2009-2010 biennial budget. See more about Budgeting by Priorities in Chapter III.

The 2005 long range financial strategy work the City did resulted in placing a property tax "levy lid lift" on the ballot. The measure passed in the fall of 2007 resulting in increased property taxes for public safety and improved park maintenance in 2008. This measure raised the floor for future property taxes (as opposed to a limited duration). In addition, the strategy resulted in increased utility taxes and business license fees.

Price of Government

A significant philosophical shift has occurred since the development of the 2005 strategy. The Mayor and City Council have embraced a "price of government" approach to providing context to the resources available to provide community services. Taken from the text, "The Price of Government" [4]by David Osborne and Peter Hutchinson, the City adopted total personal income as the context for city revenues.

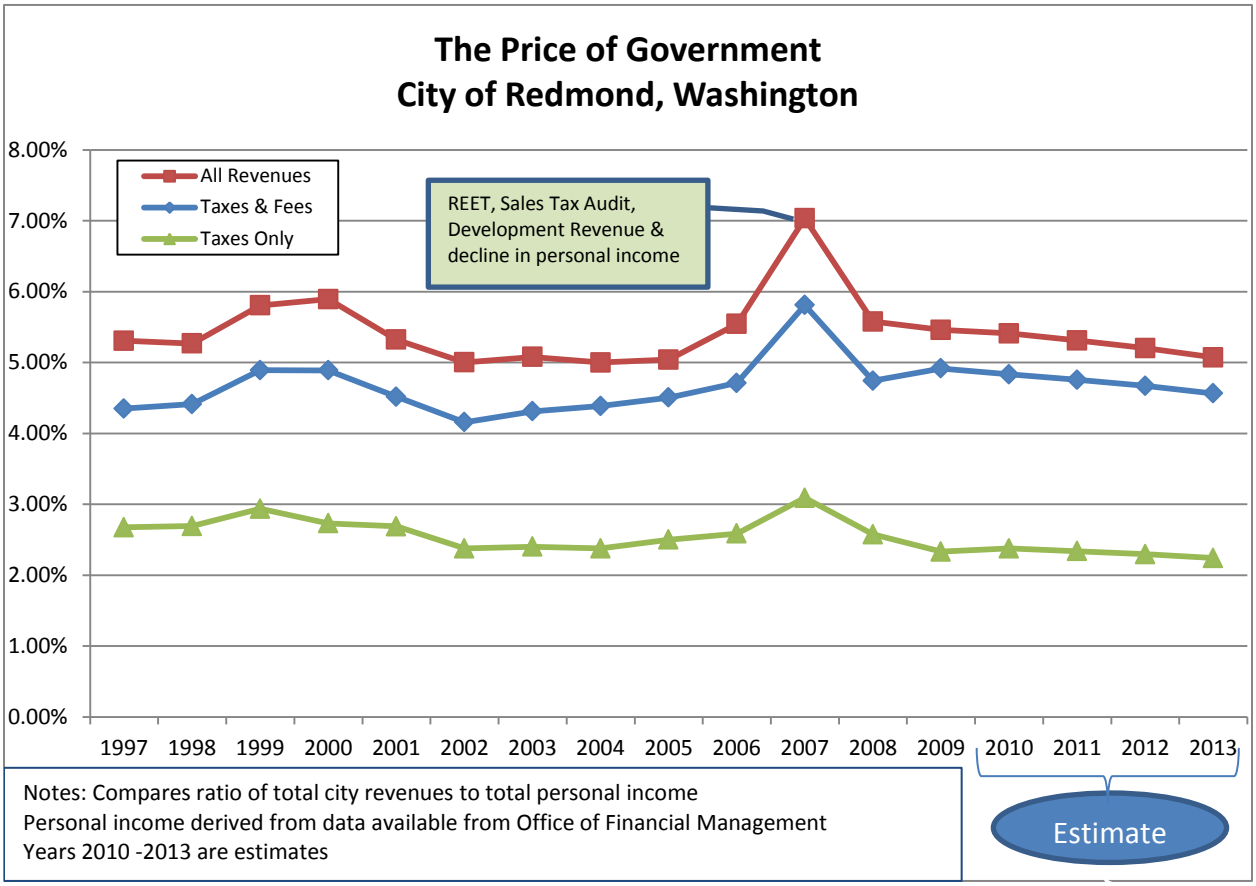
Osborne and Hutchinson suggest that "the public sector has entered an era of perpetual fiscal crisis" and that only a completely new approach would regain the public's trust and create a sustainable approach to funding of public services. This approach has become generally known as "Budgeting for Outcomes" (it is the same approach described above as adopted by the city which we refer to as Budgeting by Priorities).

The Price of Government in the City of Redmond is illustrated in Chart 1. The context for the evaluation of city revenues (the x axis) is total personal income within the city. Details about the source of the data to construct the model are found in Appendix A. The revenues over time (the y axis) are broken into three cumulative types or layers. The first layer is made up of all the taxes the city receives. This includes property, sales, utility, admission, lodging, gambling and real estate excise taxes. The second layer adds user fees. The primary fees are utility user fees (water, wastewater, surface water), recreation user fees, development user fees and others. The last layer adds licenses, permits, fines, forfeitures, interest income and grants or contract payments.

The concept is that the community wants a certain level of service from the city (for all the programs the city offers – regardless of funding source) and is willing to pay up to a certain amount. Below that amount the service deteriorates and the public is unhappy with the level of

[4] The Price of Government – Getting the Results we Need in an Age of Permanent Fiscal Crisis. David Osborne and Peter Hutchinson, 2004

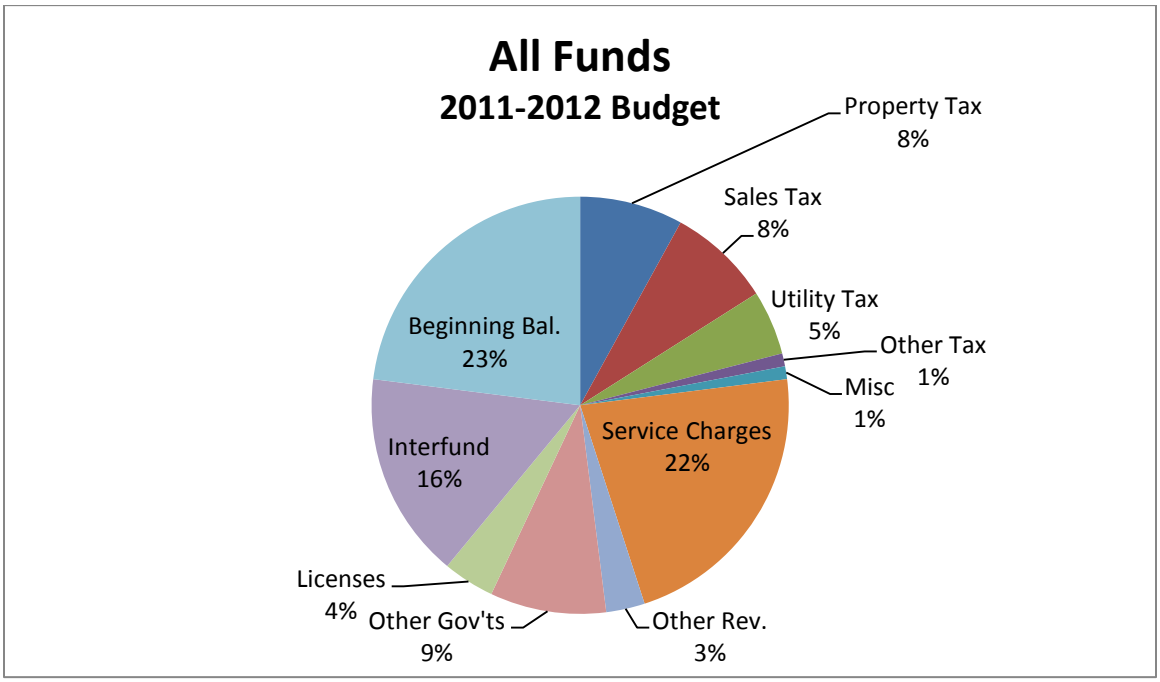
service. Above that amount and the public begins to feel it is paying too much for this type of service. The City of Redmond's total "price of government" has consistently been between 5% and 6% of the total personal income of the city.



The chart illustrates the relative percent of the price of government derived by taxes, user fees and all other revenues. This approach also illustrates that there can be a deliberate choice about how the community pays for service from the city. If user fees become too large, taxes should be reduced to retain the total target price. Likewise if taxes become too high, there may be resistance by the community to further increases in user fees. This approach does not provide a tool for universal evaluation across cities (even similar cities) as to the "correct" price. Differences in service delivery approaches and expectations make cross city comparisons virtually impossible. The value of this approach is largely with respect to the city's own history.

The balance between user fees and general taxation should be known and managed. The overall price of government is a step toward managing the different ways in which the community supports and determines the levels of service from its city.

Existing Revenues



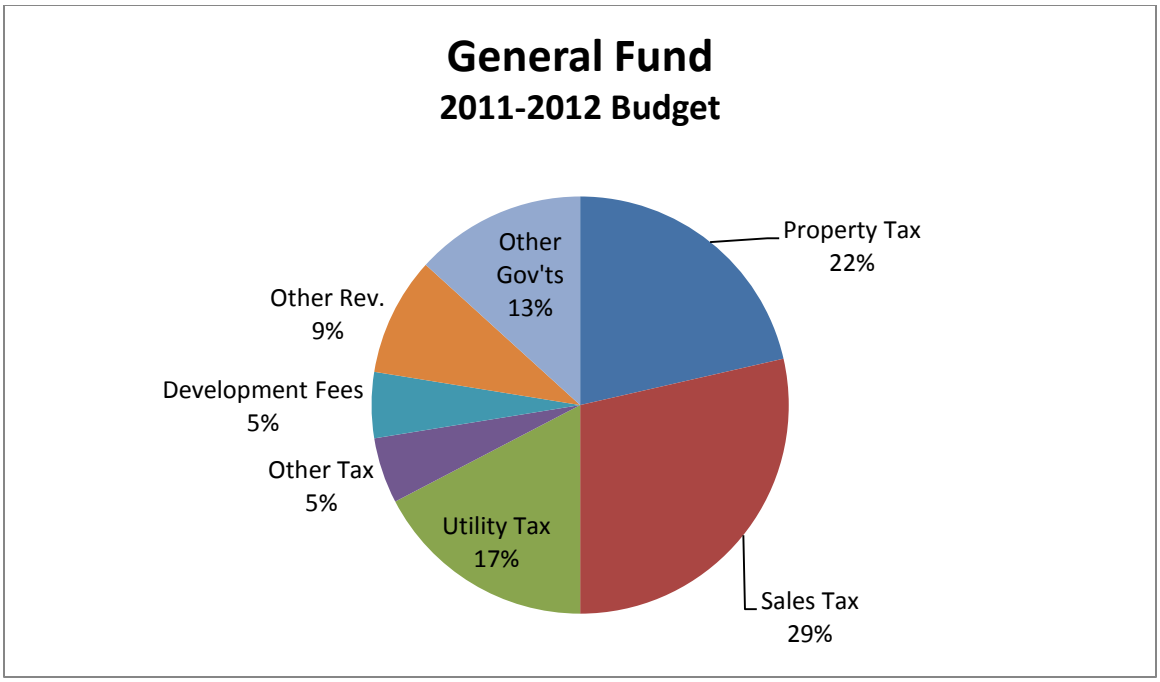
Beginning funds are the largest source of funds in providing for the 2011-2012 budget. This was a unique situation wherein the economy created an unusual "bump" in revenues around 2007 (see chart 1), resulting in a larger than usual ending fund balance at the end of 2008. This fund balance was invested in one-time items (mostly capital projects) in both the 2009-2010 and 2011-2012 budgets.

Interfund revenues are payments among city funds for services. Government accounting rules require each city fund to be financially independent of the others. So transactions between funds (such as payment for fleet service, facilities or technology services) represent revenue to the provider fund.

Service charges are the largest outside revenue source for the city. Of this amount, approximately 90% is derived from charges for utility service (water, wastewater and surface water). Other service charges include development fees, recreation fees and other smaller fees for city service.

Taxes are of three primary types. They are property taxes, sales taxes and utility taxes. Utility taxes apply to electric, natural gas, telecommunications and garbage service. "Other" taxes include real estate excise tax, lodging (also known as hotel / motel) tax and a very small amount of gambling tax. See "Available Revenue Options" for more detail on the types of taxes available and utilized by the city.

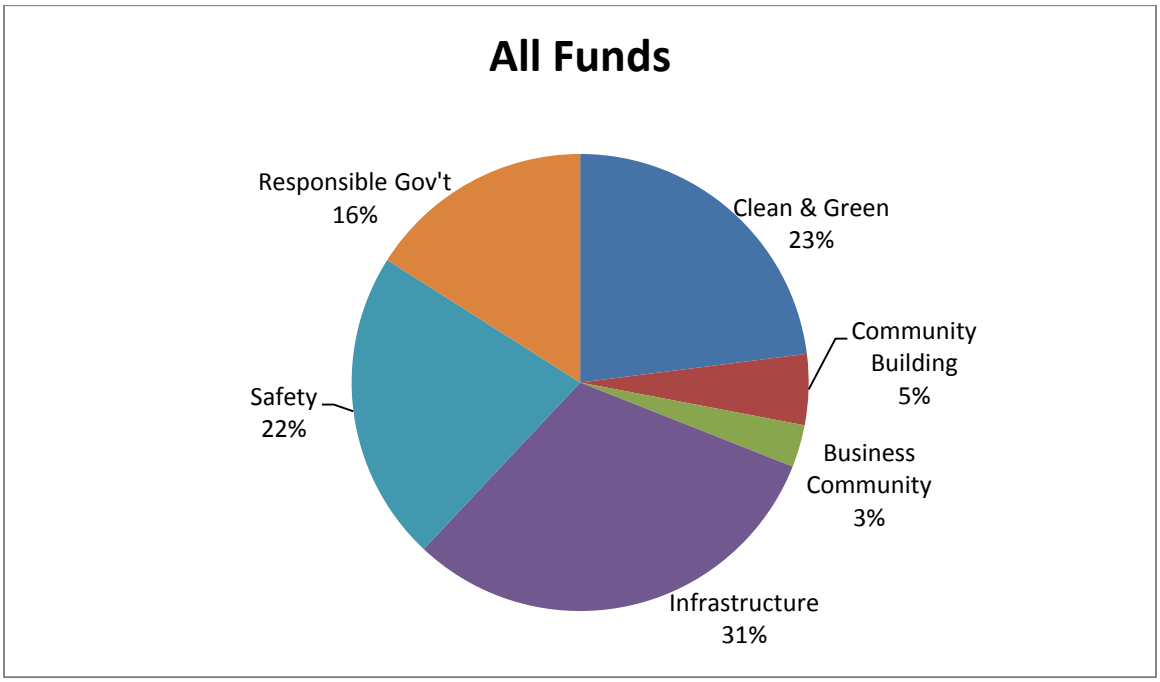
"Other" revenues are primarily rents and interest earnings.



The largest revenues in the General Fund are taxes. Of the total property tax levied by the city, 66% is retained by the General Fund. The balance is allocated to public safety, and parks maintenance and operations levy funds to illustrate compliance with a commitment by the city to use taxes raised through voter approved increases to the levy for those purposes. Technically the City Council has discretion as to how all property taxes are utilized by the city. The largest tax source in the General Fund is the sales tax. Utility taxes make up the third largest tax source and are described briefly above (more detail on all major revenues can be found in Chapter III – Revenues).

The 2009-2010 original budget had development fees forecast at 11% of the total General Fund. Since that time, the significant economic decline (referred to on page _4) has had a significant effect on these revenues. It is anticipated that actual experience will be about 45% less than anticipated for the prior biennium.

Current Service Levels



Service levels are presented in the form of allocations of resources in the 2011-2012 biennial budget of $454 million by budget priorities. Service levels are not specifically defined however the 2011-2012 budget included performance criteria (performance measures proposed by staff) as an indication of the value of the service provided. The performance measures are being used in a larger context of performance management wherein city services can be evaluated as to the level of service and the quality of service.

These service levels are in the context of the total "price of government" (page 6). There is an interaction between the "price" and the services able to be provided within that price. A challenge for the city will be to provide as much service as possible within the acceptable price of government as documented through our performance management systems.

Chapter III – Revenues

Philosophy

In addition to established financial policies related to City revenues, the Council has developed supplemental philosophy related to City revenues. These philosophies are intrinsic in Council deliberations related to City revenues and are a foundation for establishing future and revised fiscal / revenue policy.

- **Assess and maintain fair, equitable and stable sources of revenue**

This direction comes out of past Council Objectives. Given changes in State law over the years, the City needs to look for stable and progressive tax streams in the context of the price of government.

- **Prioritize less volatile revenues sources over revenues more sensitive to changes in the economic climate, such as sales tax and sales tax on construction.**

Issues of volatility should be reflected in the decision making process, whereas sources with a low volatility rating prioritized. Core services should be provided via revenue sources with lower volatility.

- **The "total" tax bill should be considered when increasing rates**

When assessing total tax impacts to taxpayers, increases in non-general fund rates need to be included in the total cost. Additionally, broader tax and utility fee obligations imposed by all taxing jurisdictions should be considered, recognizing that Redmond has little control of these assessments.

- **Limits to Taxation**

There is an acknowledgement that there is a limit to total revenues available to operate Redmond. The residents are pressured by an increasing cost of living from many factors, plus increases in taxes from other levels of government. There should be an appropriate and community-accepted 'price of government' expressed as a percentage of personal income.

There should be a clear "value proposition" which enables evaluation of the benefit received for being located in Redmond versus the cost of doing business in Redmond. There is a risk that increasing the cost of doing business in Redmond will cause businesses to move or shift some of their functions to other locations. If tax and fee increases are too significant, the result could cause a net decrease in revenue.

- **Voters should be asked to approve tax increases when the proposed increase is above a historical rate**

It is the policy of the City of Redmond to fully include Redmond tax payers in deliberations over tax rate increases, particularly where tax rates approach the limits of the acceptable price of the services the City intends to provide with those taxes revenues.

Available Revenue Options [3]

Revenue Source	Current Rate	Authority Limit	Fiscal Value (Annual)	Indexable?	Decision Maker	Volatility Rating
Property Tax	1.72	1% year		No	Council	Low
Limited Duration Levy Lid	0	$3.10 / $1,000		Yes	Voters	Low
General Levy Lid Increase [1]	0	$3.10/ $1,000		No	Voters	Low
Utility Tax	6%	6%		No	Council	Medium
Tax on City Utilities[2]	0%	None		No	Council	Low
Sales Tax	.85%	.85%		No	Council	High
Gross Receipts (B&O)	0%	.2%		Yes	Council	Medium
Business License	$35	None		Yes	Council	Medium
Business Transportation Tax	$57	None		Yes	Council	Medium
Development Review Fees	Cost Recovery	None		Yes	Council	High

1 "General levy lid increases" have been approved by voters as follows:

When	For What	Amount (historical)
1989	Parks Maintenance & Operations	$300,000
2007	Fire Service	$2,201,858
2007	Police Service	$2,051,300
2007	Parks Maintenance & Operations	$205,806

These amounts are now part of the base city property tax levy. The city budgets for these levies separately to illustrate conformance with the use of the resulting resources.

2 A utility tax was placed on water service to pay for fire suppression related costs in 2011. This was offset by a reduction in the water utility rate of an equal amount – essentially shifting the source of revenue for fire suppression from utility rates to a utility tax of the same amount.

3 A description of the revenue options is found on page 15.

Balancing Options Available

At times it is very difficult to contemplate the basic question that this Financial Strategy is destined to answer – "Can we achieve our vision with the existing revenue" It is difficult because the vision is broad and far reaching, describing our community more from the heart and soul then by the services delivered. However, it is clear that our vision requires us to understand and deliver the high quality of services, facilities and infrastructure our citizens and visitors desire.

Budgeting by Priorities

In 2008 (for the 2009-2010 budget) the city used an emerging new approach which we called "Budgeting by Priorities" (BP for short). This approach (often also referred to as budgeting for outcomes) is consistent with the Price of Government concept described earlier in this paper. The BP process poses the best opportunity for the city to resolve the discrepancy of achieving the vision with limited resources. This results from focusing on the essential priorities of the city (as a community) and the city's role in addressing those priorities (as a organization). The community involvement in defining the priorities is essential in keeping the city "grounded" in what its citizens want.

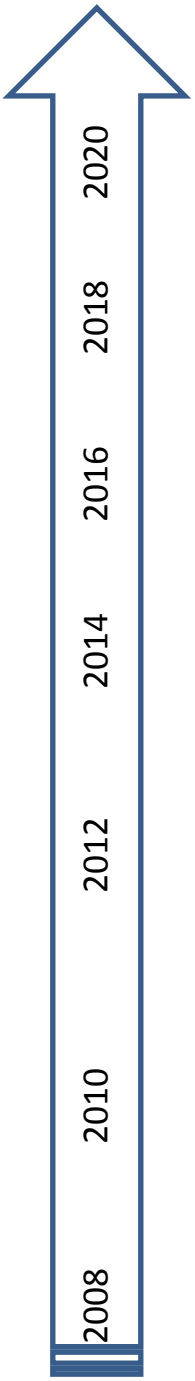
Combined with the price of government policy framework for determining how much the community is "willing to pay" for the priority services they receive, the BP process rebalances the needs and vision with the available resources each budget cycle (every two years). This framework does not contain the answers, but poses the questions in a way that directly connects the price with the value.

The initial effort in Budgeting by Priorities was a very successful start. However, in an effort to learn from that experience and ensure continuous learning, the City asked the Government Finance Officers Association (GFOA) to review our effort and recommend improvements. One significant recommendation of the GFOA was to develop a ten year rolling strategy for innovations related to the BP effort. By incorporating a ten year strategy for BP into this Long Range Financial Strategy, the city can be assured of continuous progress in the use of BP and in addressing the challenge of achieving the vision in the context of available revenues.

Ten Year BP Strategy

The following illustration starts the discussion about the issues and timing related to the evolution of the city's BP plan. It is derived from the GFOA report and is updated to reflect discussions to date. The Council and Administration will use this approach and this illustration as a starting point for evaluating and agreeing on the elements of BP over time.

It is intended that as this conversation occurs and the ten year strategy evolves that this Long Range Financial Strategy would be revised accordingly.



1. Update Strategic Priorities
2. Evaluate BP processes based on emerging practices
3. Review BP framework and changes needed for next budget process

4. Review / update performance management framework based on emerging practices
5. Evaluate long-range financial plan
6. Review BP framework and changes needed for next budget process

7. Review BP framework and changes needed for next budget process
8. Align individual performance evaluation process with BP

9. Invite private sector offers
10. Complete performance management framework
11. Learn from Capital Investment Strategy effort and refine
12. Review BP framework and changes needed for next budget process
13. Implement evidence resources database library

14. Train / coach employees on innovation
15. Continuous review of potential for service models to gain efficiencies
16. Implement MS Dynamics budget system linked to BP
17. Implement Capital Investment Strategy Methodology
18. Design / implement BP based performance management framework
19. Review BP framework and changes needed for next budget process
20. Update / confirm strategic priorities

21. Identify and report on programs that are contracted out
22. Incorporate long-range financial planning into BP
23. Improve department offer tracking
24. Develop / implement CIP process / 7th results team
25. Review changes needed to second BP process
26. Conducted review of BP

27. Developed / implemented initial BP process

Short and Long Term Revenue Options

Strategic decisions include:

Development Fees

Council supports the general philosophy of an overall recovery target range. The overall recovery target for fees is full cost recovery.

Development fees should be reviewed in each budget cycle.

Business & Occupation Tax – Gross Receipts Tax

Council does not support a Gross Receipts Business and Occupancy Tax.

Council believes that this type of taxation is counter-productive to the goal of maintaining a positive economic climate in Redmond.

Business License Fee

Council believes the concept of a business tax/fee based on Full Time Equivalent (FTE) employees is a positive structure based on relative business size. Council will review for inflationary increases during each biennial budget.

The Business Transportation Tax *

This is assessed at the same time as the Business License Fee and shall be considered and adopted concurrent with the Business License Fee.

Eligible uses of the Business Transportation Tax shall include all programs and services identified in the TIP/TFP, including maintenance of transportation infrastructure and travel options programs, as well as expenses related to traditional transportation capital investments.

The Business Transportation Tax was increased in 2011 and will be reviewed for inflationary increases during each biennial budget review.

*note: The Business Transportation Tax revenues do not go to the general fund, rather the revenues help fund and go directly to the Capital Improvement Program.

Utility Taxes

Council increased the utility tax to the 6% of gross revenues of the utility allowed by law in 2006. (note: utility taxes can exceed 6% with a vote of the people)

A utility tax on city provided water was implemented in 2011 in response to "Lane vs. Seattle" court case wherein the city could no longer fund fire protection services from water utility rates. This tax and a corresponding decrease in the water utility rates was essentially a bookkeeping effort that changed the source of fire protection costs from water rates to a utility tax on water rates (now processed through the General Fund). Council understands in the future that a utility tax could be levied on the City provided utilities (water, sewer, storm drainage, cable television). At this time, however, Council does not generally support levying an additional tax on City provided utilities.

Property Tax – Council Authority

Council intends that the total price of government not exceed the policy boundaries discussed elsewhere in this document. To that end, alternative assumptions related to property taxes will be included in the long-range financial forecasts as part of this strategy. This will enable the

council to balance the intent of keeping property taxes low with maintaining services within the overall price of government. Different scenarios will illustrate the overall effect of each assumption.

Property Tax – Voted

A remaining piece of the financial strategy is the option to present property tax options such as a levy lid increase to the Redmond voters. Additional options include providing voters with questions regarding use of property taxes to support specific capital improvements (i.e. tax supported bond proposals).Council does not generally support limited duration levies, as they are contrary to the philosophy of stable revenue sources. Additionally, Council believes that should limited duration levy lift type of funding be sought, it would be inappropriate to use the revenue for longer-term on-going expense and should only be considered for expenses of limited duration.

Council placed a general levy lid increase before the voters in 2007 which was to be effective in 2008. The voters approved increases in the levy in the amount of $5 million(for improvements in fire, police and parks maintenance services). These are more completely described on page 12.

Parks Bond Measure

Council has identified a ballot measure to fund Parks acquisition and development as a priority. The Parks Board and Parks & Recreation Department have been working towards identifying the proper funding level to place before the voters. Included would be a list of capital improvement projects to be funded with the bond measure and a separate maintenance and operation levy ballot measure.

Transportation Bond Measure

Council has identified mobility of people and property as a top priority and recognizes that adequate infrastructure adds to the economic vitality of the City. The City Council reserves the option to ask voters to support a transportation bond measure to secure funding to implement the pending Transportation Master Plan.

Other User Fees

The City will periodically review other fees and charges to ensure those costs for services have been taken into consideration in terms of its overall revenue strategy.

Additional Options

Other actions include a regular review of revenues consideration of a regular levy lid lift to stabilize property taxes, and efforts with State Legislators to address additional revenue sources available to cities.

Council could consider the formation of a Metropolitan Park District as a funding strategy for regional park facilities (requires voter approval).

Council could also consider a Transportation Benefit District as authorized by state law.

Chapter IV Reserves

A. Philosophy

The city recognizes its obligation to serve current needs while protecting its ability to continue basic services in the event of economic down and or severe short-term financial upheaval. The city also believes that it is both prudent and fiscally responsive to develop and maintain the financial reserves necessary to replace aging capital equipment.

B. Current reality

The city has developed Reserve policies in keeping with the basic philosophy of protecting the economic sustainability of city services and provides for the creation and application of reserves. These reserve fund policies are reviewed by the Public Administration and Finance Committee of the City Council in anticipation of each budget cycle.

C. Options

1. We intend to achieve our vision in a way that maintains appropriate reserves. Reserves are a necessary component of protecting our vision.
2. Reserves are intended for specific purposes and will be used only for those purposes.
3. Maintaining the reserves is an important component of the vision. We cannot "buy" our vision with the reserves but rather the maintenance of reserves supports economic stability with is consistent with the long-term vision.

D. Actions (short- and long-term):

General Government: Council deliberated the proper percentage of the general fund that is set aside as reserves, deciding that 8.5% of the general fund would be held in the operating reserve account.

In addition, Council called for an economic contingency fund to be established as a part of the 2009-2010 biennial budget to be used as a hedge during the economic downturn due to the state and national recession at the time. This contingency was continued into the 2011-2012 biennium. The Council determined in its 2011 biennial review of the financial policies to make the economic contingency reserve an ongoing policy in an amount of 4% of the General Fund revenues.

Utility Funds: The City will maintain operating reserves in the Water / Wastewater Fund of 12% (not including Metro Wastewater which shall be at 2%); the Stormwater Management Fund of 12%; and Solid Waste Recycling Fund of 12%.

The Public Administration and Finance Committee will make recommendations on the proper level of reserves for the storm, water, and solid waste utilities during their biennial review of the City's financial policies.

Chapter V Priorities

Redmond City Government acknowledges that it, along with other local, state, and federal governments, operates in an era where the citizens demand accountability for their public money. In the State of Washington, this manifests itself in recent changes to the law that limits taxation without a vote of the people. The property tax cap forces government to justify its expenditures to the people. As expenditures increase with inflation and growth of service area, property tax revenues increase much slower. A natural result would be a reduction in the quality and or change to the level of services delivered to our citizens.

There is recognition that Redmond will not be able to maintain some past and current service levels, particularly in capital projects. Some service levels may have to decline while others may need to increase**.**

Without identifying other revenue sources, the City government must make an adaptive change to the new parameters. Just increasing revenue is not enough to thrive in this environment. With this Long-Term Financial Strategy, Redmond City government is continuing a cultural change to its budget and financial management environment.

In order for the City to achieve its Vision, the Vision must be calibrated against the fundamental priorities of the citizenry, and the priorities then balanced against a willingness to pay.

The prior budget-by-cost system made it difficult to prioritize levels of services. City surveys consistently find citizens highly supportive of the quality of life in Redmond. To the extent that services equate to quality of life, it is equally true that citizens are satisfied with the current level of services. The City Council has accepted as a current reality that revenues and service levels are generally within taxpayer's expectations and that refinements are needed to continue to meet this standard. The citizens of Redmond are not demanding a higher level of services nor are they willing to greatly exceed current tax levels.

We accept that achieving the Vision will challenge the City and its citizens to grapple with the fundamental definition of service levels and that we must begin by examining current outcomes, eliminating those that no longer serve the Vision and adding those that are demanded by the Vision.

Through the Budgeting by Priorities Process started in 2008, the City heard from the community and together they identified the following six priorities:

1. **BUSINESS COMMUNITY**

I want a diverse and vibrant range of businesses and services in Redmond

2. **CLEAN & GREEN ENVIRONMENT**

I want to live, learn, work, and play in a clean and green environment

3. **COMMUNITY BUILDING**

I want a sense of community and connections with others

4. **INFRASTRUCTURE & GROWTH**

I want a well-maintained city whose transportation and other infrastructure keeps pace with growth

5. **SAFETY**

I want to be safe where I live, work, and play

6. **RESPONSIBLE GOVERNMENT**

I want a city government that is responsible and responsive to its residents and businesses

Note: The priorities identified by Redmond citizens will be revalidated each budget cycle.

These priorities were assigned to "Results Teams" made up of a cross section of city staff and citizen volunteers. The Results Teams developed "factors" that result in progress toward the priority statement[5]. Below is a summary of the observations of the Results Team's work. [6]

1. BUSINESS COMMUNITY

I want a diverse and vibrant range of businesses and services in Redmond

The priority "I want a diverse and vibrant range of businesses and services in Redmond" includes two major stakeholders: businesses and consumers. The citizen focus groups provided input for consumers and the Results Team met with the Chamber of Commerce to gain business perspective. The 2010 BP Results Team identified four major factors to achieve this priority.

Factor 1: Mix of Businesses and Activities

A vibrant business community necessitates a balance of daytime and evening activities, as well as an emphasis on cultural arts.

Factor 2: Image and Identity

The image and community identity that a city presents to both its residents and the broader community contributes to its ability to attract and retain a diverse set of businesses that in turn help create a vibrant business community.

Factor 3: Business Attraction and Retention

A focus of the City of Redmond is to exhibit and promote a healthy environment that attracts and retains businesses and services. To obtain this result Redmond must take an active role in strengthening economic development vitality.

Factor 4: Accessibility for Businesses and Consumers

It is critical that the infrastructure provides clear access for consumers, residents, business workers and freight providers.

2. CLEAN & GREEN ENVIRONMENT

I want to live, learn, work, and play in a clean and green environment

The team interpreted "clean and green" to include restoring, protecting, and enhancing the physical attributes of the City, while also promoting education and activities that contribute to this value through our work and lifestyles.

Factor 1: Environmental Stewardship

It is important to be proactive with the care of our natural resources. Efforts in this area will preserve the community's natural environment for future generations to enjoy.

Factor 2: Ecological Restoration

Despite the best proactive environmental stewardship efforts, some environmental damage and pollution will occur. This damage and pollution needs to be remedied and cleaned up.

Factor 3: Parks and Open Space

[5] There were actually seven Results Teams with the seventh assigned to capital investments. This team used the work of the priority based Results Team in addition to criteria developed specifically for capital investments in the context of the Comprehensive Plan for their work.

[6] The Results Team work has been updated based on the 2011-2012 budget process.

Parks, urban forests, wetlands, greenways, and open space are the key physical components of a green environment. An adequate inventory of green space is essential to create a green community.

3. COMMUNITY BUILDING

I want a sense of community and connections with others

Four factors were identified that create a sense of community and connection with others:

Factor 1: Access and Connections

Citizens' connections to others and access to services are important prerequisites for bringing the community together.

Factor 2: Shared Public Experiences

Strengthen Redmond identity by creating opportunities for the arts, recreation, and cultural experiences.

Factor 3: Community Image

Redmond and residents' shared histories and diversity make the neighborhoods and City unique.

Factor 4: Places to Gather

A vibrant city provides both public and private gathering spaces so that neighbors and friends can meet in a convenient place.

4. INFRASTRUCTURE & GROWTH

I want a well-maintained city whose transportation and other infrastructure keeps pace with growth

Factor 1: Maintain

The physical structures and systems represent the City's backbone and basic abilities to provide citizens with the quality of life they depend on.

Factor 2: Operate

A successfully functioning municipal infrastructure enables the flow of goods, people and services.

Factor 3: Sustain

Redmond's infrastructure should have a minimal impact on the environment.

Factor 4: Grow

A carefully planned infrastructure sets the stage for the City's capacity to grow in population and land size.

5. SAFETY

I want to be safe where I live, work, and play

The three factors in the Safety Team's Cause and Effect Map are Emergency Services, Community Partnerships, and Built Environment. The team selected these factors based on the belief that it is important for residents to be safe and to feel safe. The idea of interconnectedness also emerged as an important concept. Activities that work to support a safe city overlap with many activities needed to achieve the other priorities. In addition each of the three factors

supports the others in creating and maintaining a safe city. Finally, technology is important to all three.

6. RESPONSIBLE GOVERNMENT

I want a city government that is responsible and responsive to its residents and businesses

Factor 1: Effective Leadership

Leadership can be demonstrated through all levels of the municipal organization by demonstrating vision, engaging in cross-department alliances, and providing opportunities for the professional development of staff. Effective leadership is proactive in generating regional partnerships that foster cooperation and yield benefits across city boundaries or jurisdictional borders. Effective Leadership provides the foundation for a responsible and responsive government.

Factor 2: Fiscal Responsibility

The City has a responsibility to manage its resources in a conservative and transparent manner so that our citizens and business community can be assured we are properly administering their contributions.

Factor 3: Quality Service

Quality services can be assured through the provision of effective and efficient systems, operated by highly-qualified staff that is committed to providing timely response to the community.

Factor 4: Community Connections

A community is inclusive of its residents, businesses, partners, and visitors. Community connections demonstrates responsible government through the ability of the community to have access to information transparency, create opportunities for involvement and sharing of ideas and opinions, offers outreach services and education that contributes to a sense of connectivity and that information/ education is readily available and up to date.

A. Monitoring Priorities

To make decisions about the City's future, the City will look at long-term trends to see where we have been. These trends can assist the City in making decisions about where to allocate resources to the priorities.

Trend Indicators

Identification of Priorities and Objective are of little value without a system for monitoring progress toward the objectives and impact of our activities on the community. With this strategic plan the city adopts a trend monitoring system that track trends both controlled and uncontrolled by the city.

Examples of trend data (See ICMA "Evaluating Financial Condition")

- Population
- Personal income/household
- Assess value – Commercial
- Assessed value – Residential
- Jobs in community
- Retail sales
- Sales tax collected
- Crime rate
- Streets, miles
- Expenditures – Street maintenance
- Expenditures – Street construction
- Parks maintenance
- Consumer attitudes

B. Measuring Priorities

In addition to monitoring trends, the City will monitor progress by establishing objectives for each priority. These measurable objectives will assist the City in making resource allocation decisions. The Budgeting by Priorities model incorporates "performance management" as a means of monitoring progress against the objectives for each budget offer.

Measurements will exist at two levels: the "dash board" or priority level and the offer level. The measures will illustrate trends, targets and other criteria by which the city's efforts on a given program can be evaluated on a periodic basis. This evaluation is intended to inform organizational learning, repeating what works, discontinuing what isn't working and continuous improvement.

The ten year strategy for budgeting by priorities includes steps to continue and improve the performance measurement element of the city's Long Range Financial Strategy.

Chapter VI Next Steps

With the 2011-2012 budget biennium the City has developed its second BP process budget. This process was tested by the increasing fiscal pressures of the economic downturn. Focus on scalability of budget offers, improvements in performance measures and improvements in the capital investment strategy was the challenge and occurred in this budget process.

Council will continue to review revenue policy direction to inform the revenue assumptions for future budgets in the context of the Price of Government.

Next, Council turns its attention to updating the Long-Range Financial Strategy by recognizing the significant changes in the political, fiscal and organizational environment that have occurred since November of 2005.

In order to make good public policy decisions on Redmond's Long-Range Financial Strategy, decision makers recognize the importance of remaining engaged with the public in determining the appropriate level of taxation to support Redmond city government. Further, the public must continue to be involved in determining what the priorities of Redmond are, recognizing that government can't be all things to all people. The level of taxation may change but it will be an informed decision made with the assistance of the public.

This Long Range Financial Strategy will be updated biennially in order to maintain its relevance and the value it provides to maintain strong fiscal stewardship. It is anticipated that the LRFS will be updated each odd numbered year in anticipation of the next biennial budget process and informed by the last.

Appendix

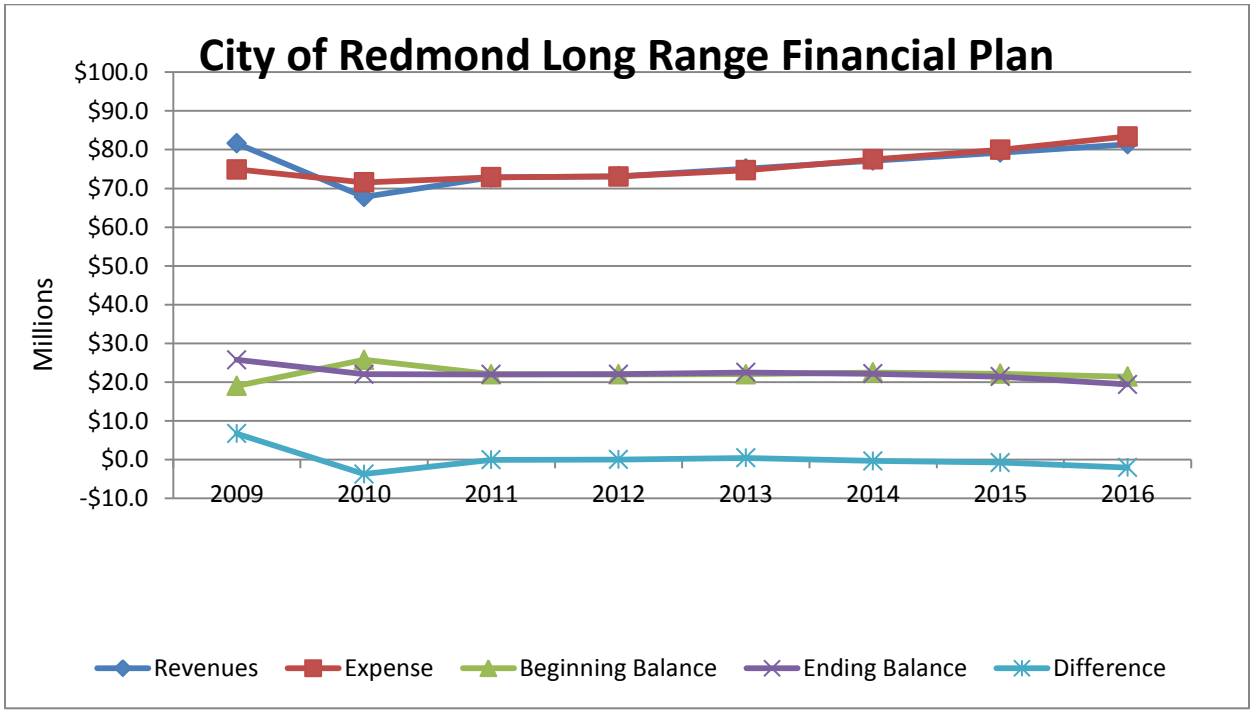
Long Range Financial Plan

Consistent with the "Price of Government" text used as a foundation for the City's financial strategy, "we can get to the heart of the matter by paying attention to only five numbers. … To be clear about our fiscal reality, however, we have to project these five numbers over at least five years (also known as the "five by five")."[7]

The five numbers are:

- Starting balance (how much we have in our accounts at the beginning of the fiscal year)
- Revenues (all resources available – how much we think we will take in)
- Expenditures (all uses of resources regardless of type – how much we think we will spend - ideally broken into one-time and on-going)
- Surplus or deficit (the difference between revenues and expenditures)
- Ending balance (how much we think we will have in our accounts at the end of the fiscal year)

As a result of the adopted 2011-2012 adopted biennial budget, the following chart illustrates the City of Redmond's equivalent to a "five by five" basic budget based on staff's assumptions.



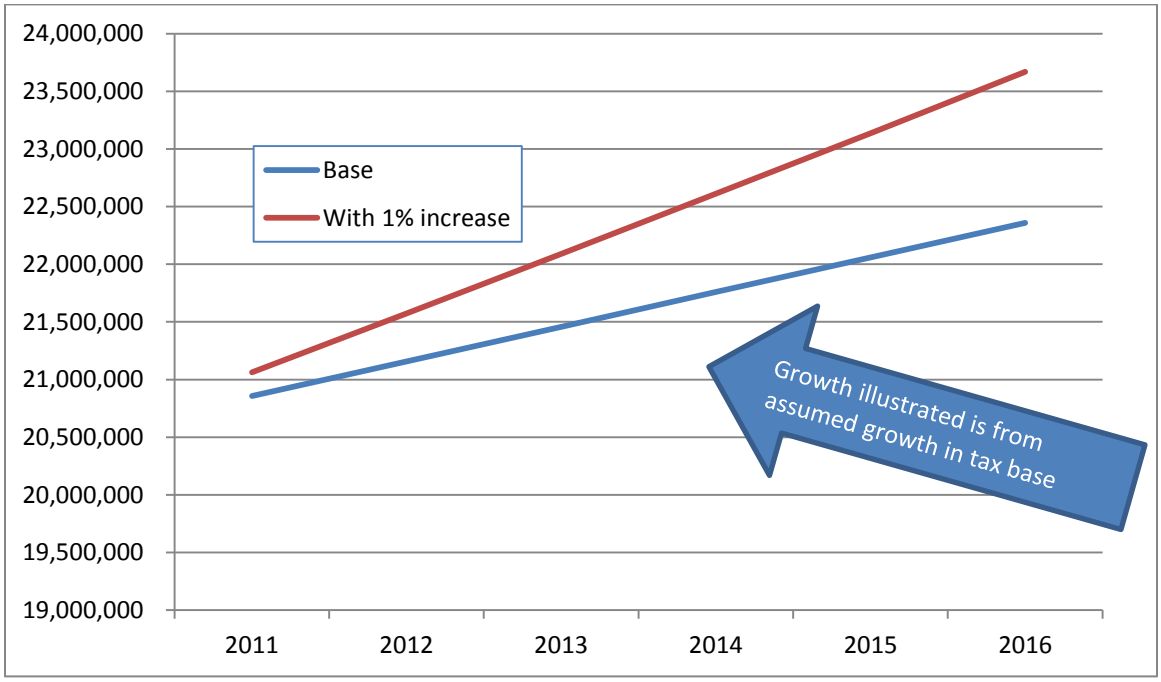
[7] The Price of Government, Osborne & Hutchinson. 2004. Page 29-30

Assumption scenarios

The assumptions for the previous chart are:

	2009	2010	2011	2012	2013	2014	2015	2016
Seattle Inflation ^	2.6%	1.8%	1.8%	2.4%	2.4%	2.4%	2.4%	2.4%
Redmond Population ^	1.9%	1.9%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Redmond Dwellings ^	1.9%	1.9%	1.9%	1.9%				
Salaries and Benefits Increases	5.50%	4.67%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Retail Sales ^	3.0%	1.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Business License ^		3.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Growth in property tax base		1,253,109	513,497	300,000	300,000	300,000	300,000	300,000
Property tax change ^	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
No Employee Growth - Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RCW 84.55.0101 limits the growth in property taxes from the current tax base to 1% per year. The effect of a change of 1% per year in property taxes on the existing tax base is illustrated below. – Note that additions to the tax base will also be included resulting in growth in tax receipts.



The financial forecast illustrated includes an assumption of including a one-percent growth in the property tax as described. Changing the assumption to not including this growth results in a decline in the financial forecast of $4.4 million over the forecast four years with $1.2 million of the change occurring in dedicated levy funds (i.e. police, fire and parks O&M).