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## **BUDGET BY PRIORITIES**

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**PROCESS OVERVIEW  
BUDGET CALENDAR**

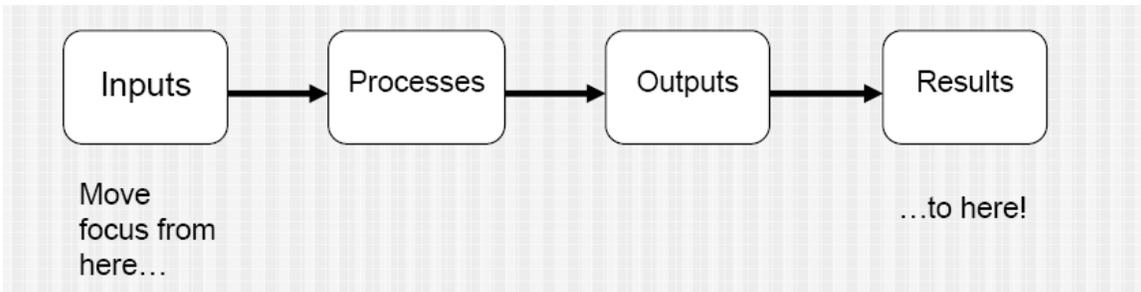
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# BUDGETING BY PRIORITIES PROCESS OVERVIEW

2013-2014 ADOPTED BUDGET

## CITY OF REDMOND

<p><b>Why Budgeting by Priorities?</b></p>	<p>Redmond is a unique city that is the home to internationally significant worldwide businesses, such as Microsoft, Nintendo, Honeywell and Medtronics (Physio Control). As a result, the City is the third largest employment center in King County with a business population of 78,893 and a residential population of approximately 55,360.</p>
<p><b>A process that is:</b> Transparent</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>
<p>Open</p>	<ul style="list-style-type: none"> <li>• Align the budget with citizen priorities;</li> <li>• Measure progress towards priorities;</li> <li>• Get the best value for each tax dollar;</li> <li>• Foster continuous learning in the City; and</li> <li>• Build regional cooperation.</li> </ul>
<p>Citizen Priority Based</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 identifying the intended result of city services toward priorities developed through citizen interaction.</p>
<p>Approved by Council</p>	
<p><b>Objectives of BP</b></p>	
<p>Starts with citizen priorities</p>	
<p>Different from traditional budgets</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 this 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 falls below 5%

As discussed in the Mayor's budget message, the City's Price of Government (see Budget Overview for a more complete description of the Price of Government) is projected to fall below 5% during this biennium. In fact, the development of this budget was especially challenging as resources were very limited.

Long range financial strategy

The Council contemplated this issue when recently updating the financial strategy. As a result, staff has included some elements from Chapter III of the strategy within this budget document to start the discussion regarding maintaining resources sufficient to enable the City to address community needs.

Revenue Philosophy:

- 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

**Redmond's  
BP process**

Community  
focus groups

Six priorities  
were  
identified

Advisory  
committees

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

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 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, 2008<sup>1</sup>:

- **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.*

Once the six priorities were determined, the Mayor created several teams to guide the process:

<sup>1</sup> 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.

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** – Six Results Team groups were created and each group was assigned a priority. For the 2010 process, a seventh Result Team was created. This team focused exclusively on the **Capital Investment Strategy**. See more about this seventh Result Team later in this section.

Requests for Offers (RFOs)

The teams were made up of four employees from cross-department disciplines and one citizen. The role of the Results Teams was to fashion *Requests for Offers (RFOs)* based on the priority approved by Council. To ensure that citizen input was incorporated into the offers, all the data gathered from the focus groups and community workshops was made available to the Results Teams.

RFO process

### **REQUESTS FOR OFFERS**

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:

- 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?

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 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 no matter the funding source.

Offer process

### **OFFERS**

An offer is a proposal by a department in response to an 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.

Budget request process	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.
All budget requests are submitted as offers	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 must describe the following:
Offers to include consistent data	<ul style="list-style-type: none"> <li>• What are we doing?</li> <li>• Why are we doing it?</li> <li>• How are we doing it?</li> <li>• Who are we doing it for?</li> <li>• Measurements to track performance for each program; and</li> <li>• How can the offer be scaled, either up or down.</li> </ul>
Offers submitted by priority	<p><b>OFFER SUBMITTALS</b></p> <p>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:</p>
Contents of the offer	<ul style="list-style-type: none"> <li>• Description of the Offer – Simple, accurate, succinct, and complete;</li> <li>• Performance Measures – Describe short and long term benefits, consequences if not funded, and measures to gauge the identified outcomes;</li> <li>• Scalability – Provide logic and evidence to support various funding levels;</li> <li>• Customer Service – Identify who the customer is and how the offer meets customer needs; and</li> <li>• Revenue Sources – Identify revenue support</li> </ul>
City staff used an “online” tool designed to capture the needed information	<p><b>DASHBOARD INDICATORS</b></p> <p>As a part of the accountability for performance elements of the City’s budget process a performance dashboard was developed. This was accomplished by a team representing the community, the council, department directors, and senior management staff. The team worked through much of the summer of 2011 to develop a proposal. The council reviewed the proposal and adopted the Performance Dashboard used for the 2013-2014 Budget. The Dashboard indicators include:</p>

2012 dashboard indicators for each priority

The initial dashboard measures from the 2008 BP process were updated by the Performance Leadership Team in 2011. The City Council confirmed the dashboard and it was subsequently used in the 2013-2014 budget process.

Data with regard to the dashboard measures are available on the City's website: [www.redmond.gov/bp](http://www.redmond.gov/bp).

### **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).

### **Safety:**

- Quantity of violent crimes (crimes against persons) and quantity of selected property crimes (auto theft, auto prowl, 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.

### **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.

### **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.

**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.

**Capital Investment Strategy**

**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.

2010 changes

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

Additional criteria for capital investment offers

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

Capital Investment Strategy

Ranking the offers

This process was repeated in 2012 for the 2013-2014 Budget. In addition, a great deal of work occurred between the preparation of the two budgets to create a “Capital Investment Strategy” that looked beyond the six years in pursuit of synergy in the projects and the City’s vision.

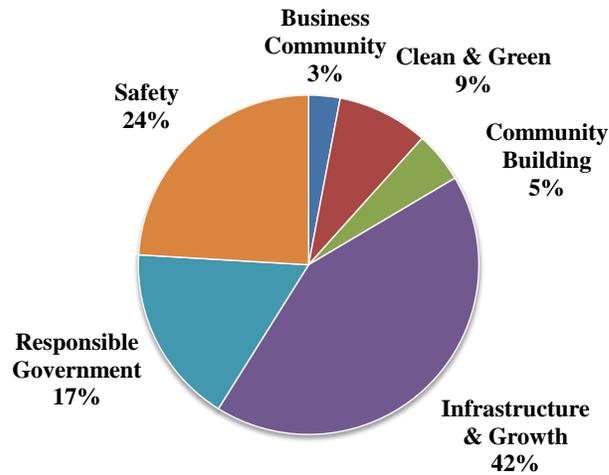
**RANKING THE OFFERS**

When the offers were first submitted, the Results Teams met with the departments to seek clarity on issues prior to critiquing and ranking the offers. During the first round of offer ranking, 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, as well as a sense of where their programs would rank. 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. The second and final rankings were carried out with estimated funding allocations, and attention was paid to those programs that were legally or contractually mandated.

Recommendation for funding from Results Team by priority

Allocations provided by the Mayor to the Results Teams based on past experience.

**Recommendation for Funding Operations Results Team by Priority**



Mayor’s efforts to develop the adopted budget

**PRELIMINARY BUDGET TO ADOPTED BUDGET**

In August 2012, 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

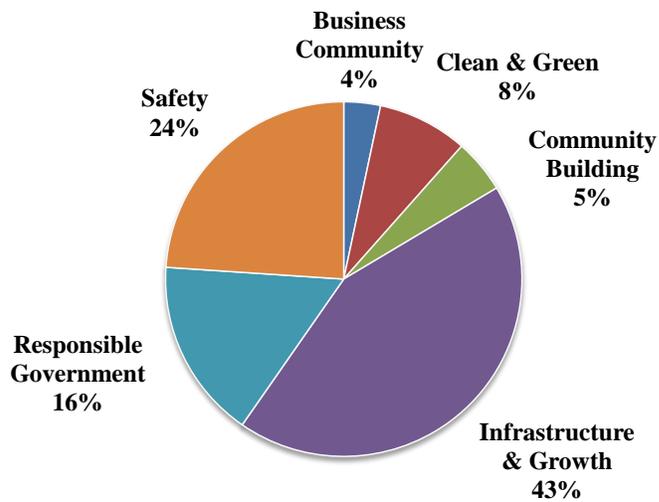
The Mayor worked for several weeks with the Directors Team to review the recommendations of the Results Teams and make adjustments to address revenue constraints and other needed adjustments.

Final decisions developed

When the final revenue estimates for the 2013-2014 Budget became available in September, the Mayor 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 priorities recommended by citizens.

Funding by priority in adopted budget

### Funding of Operations by Priority in the Adopted 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 Requests 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 government in this manner. Creating interdepartmental teams with a citizen on each allowed staff to better understand what other departments accomplish, while gaining citizen perspective on how the services are viewed by the public. City employees are included in the budget process to a much larger extent than in the past; those who were not directly involved meet with the Mayor regularly to ask questions and gain information.

**Innovations and efficiencies**

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

City staff has 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 innovations

***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;
- Regional information sharing of crime data;
- Partnering with Eastside Public Safety Communications Agency (EPSCA) for public safety radio services;
- Outsourcing police vehicle fitting; and
- Connecting with the Redmond Community through the Neighborhood Resource Officer Program.

Regional activities

***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);
- Relationship with Cascade Water Alliance (CWA) for water delivery; and
- Providing planning services to the City of Duvall.

Process improvement initiative

***Process Improvement***

- Use of the “Price of Government” as policy basis for revenue discussions;
- Implementing new technology, such as Dynamics AX 2012 for accounting and project management, and Energov for permitting;
- Implementing online Council information for better access to data internally and externally;

- Centralized City communication and outreach efforts;
- Co-location of business license services with permitting services;
- Information Technology Strategic Plan implementation, including governance model and service management process;
- Instituting a new wellness program and implementing dependent premium cost-sharing;
- Leveraging transportation grant administration;
- Centralizing facilities and fleet maintenance services; and
- Integrating performance measures with department administration and the Council dashboard measures.

**City of Redmond's financial plan**

Relationship of the financial planning elements

There is an intentional logic in the design of the City's financial planning strategy. It is represented in the illustration below and referred to often in this budget.



**First layer:**  
Long range financial strategy

The foundation of the City's financial planning efforts is the **Long Range Financial Strategy (LRFS)** first developed by the City Council in 2005 and refreshed in 2011. This strategy is comprehensive for all city functions and funds. It includes the other elements referred to in the above illustration.

**Second layer:**  
Price of Government  
  
Resources available for the provision of facilities and services

The **Price of Government** is how the City thinks about the right level of resource that should be available to provide city services. The "price" is a ratio of total city revenues (all funds divided by all external revenues) to total personal income (personal income x population). It has historically been between 5% and 6% and is now at or below 5% in the 2013-2014 Budget. This is verified by the difficulty in providing a consistent level of service in this budget with the constrained resources. Using the LRFS, the City should explore options to maintain the "price" at 5% as a minimum.

**Third layer:**  
Capital Investment  
Strategy

The “**Capital Investment Strategy**” (CIS) was developed in 2010-2011 for two primary purposes. First, to ensure capital investments across the City are proposed in a coordinated fashion and focused on the vision as defined by the adopted comprehensive plan. Second, once a coordinated and focused CIS is developed it will inform the capital facilities plan and the ability of the City to facilitate growth. An inherent aspect is the ability to maintain the City’s past investments into the future.

CIS as a  
foundation

The CIS is portrayed as foundational, as the level of service (described in the State Growth Management Act) is both a capital facilities and an operating budget concept. The Comprehensive Plan describes the type of city and/or community that Redmond strives to provide in the form of facilities and levels of service. This should be reflected in both the Capital Facilities Plan (the implementation version of the CIS) and the operating budget.

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 the “price” will allow. It affirms the value of the services provided through a robust use of performance management where each programs’ intended outcomes are described. 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 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 represent the City’s vision (e.g. Downtown, Overlake and Redmond neighborhoods and citywide CIP programs). 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”.

**BUDGET CALENDAR**  
**2013-2014 ADOPTED BUDGET**  
**CITY OF REDMOND**

TASK	2012 DATE
Citizen Academy Briefing on BP	January 23
Neighborhood Meeting #1	February 23
Study Session on Performance Dashboard	February 28
Neighborhood Meeting #2	March 1
Council Briefing on BP Process/Calendar	March 6
Neighborhood Meeting #3	March 7
Request for Offers Development by Results Teams	Feb 21 - March 12
Council Briefing on Request for Offers (PAF Committee)	March 20
Departments Submit First Round Offers	May 4
Council Retreat	April 21
Public Hearing #1 – Budget and CIP	June 19
Departments Submit Final Offers	July 3
Council Briefing on POG and Preliminary Revenue Projections	July 10
Utility (Water/Wastewater and Stormwater) Rate Study Sessions before City Council	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 9
Public Hearing #2 – Budget and CIP	October 16
City Council Study Sessions on 2013-2014 Biennial Budget	October 25(Th), 30(T) November 1(Th); 8(Th); 13(T); 15(Th); 27(T)
Public Hearing #3 – Budget and CIP	November 20
City Council Adoption of the 2013-2014 Biennial Budget	December 4
City Council Adoption 2013 Property Tax Levy	December 4
Council Debrief of 2013-2014 BP Process	December 11