
BUDGET BY PRIORITIES

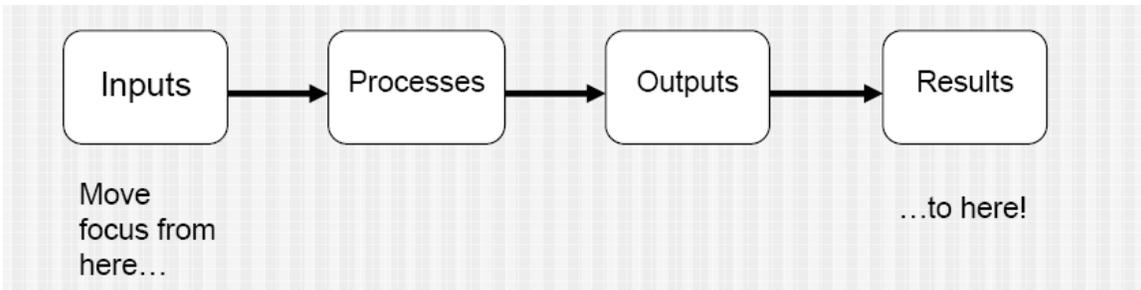
PROCESS OVERVIEW

BUDGETING BY PRIORITIES PROCESS OVERVIEW

2017-2018 PRELIMINARY BUDGET

CITY OF REDMOND

<p>Why Budgeting by Priorities?</p>	<p>Redmond is a unique city that is home to internationally significant worldwide businesses, such as Microsoft, Nintendo, Honeywell, SpaceX and Medtronic (Physio Control). As a result, the City is the third largest employment center in King County with a business population of just over 85,547 and a residential population of approximately 60,560.</p>
<p>A process that is: Transparent Open Citizen 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 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>Objectives of BP</p>	<ul style="list-style-type: none"> • Align the budget with citizen priorities; • Measure progress towards priorities; • Get the best value for each tax dollar; • Foster continuous learning in the City; and • Build regional cooperation.
<p>Starts with Citizen Priorities</p>	<p>To move this vision forward, the City selected the BP process, because it focuses budget decisions on citizen priorities. This is in contrast to the traditional method of budgeting which adds a certain percentage to last year’s budget without assessing if the services result in the outcomes citizens expect. The starting point of the BP process is to identify the intended result of city services toward priorities developed through citizen interaction.</p>
<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 Below 5.0%

As discussed in the Mayor’s budget message, the City can accomplish these services as proposed in the 2017-2018 Budget while preserving an overall price of Redmond City government for under 5.0% of community income (see Budget Overview for a more complete description of the Price of Government).

Revenue Philosophy

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

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

Redmond’s BP Process

Community Focus Groups

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

Six Priorities
Identified

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

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

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

Community
Engagement

Community engagement is a large part of the BP process. The City begins with an annual, statistically valid, survey of residents and businesses to gauge the effectiveness of City services. The survey results are available at www.redmond.gov. In preparation for the 2017-2018 Budget, Redmond also relaunched an interactive tool that was first introduced during the development of the 2015-2016 Budget. "Your City, Your Choice," is a web-based activity designed to take the pulse of the community on its priorities by inviting community members to give an opinion on the value of the services provided within each priority. About 800 persons shared their views with the City using this tool.

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

Advisory Committees	Once the six priorities were determined, the Mayor created several teams to guide the process:
BP Project Team	Project Team – Includes staff from the Executive and Finance Departments that assist the Results Teams and guide the overall budget process.
Staff Results Teams	Staff Results Teams – The role of the Results Teams is to develop <i>Requests for Offers (RFOs)</i> for each priority. In 2016, six Results Teams were formed and assigned to a priority; the teams consisted of four employees from cross-department disciplines. In the past, a seventh Result Team was created to focus exclusively on the Capital Investment Program. Starting this biennium, the City eliminated this Results Team and created a new approach to develop the Capital Investment Program. See more about this improvement later in this section.
Civic Results Team	Civic Results Team – The Civic Results Team was first created in 2014. Instead of having one citizen on each Results Team, the Civic Results Team was created exclusively made up of Redmond citizens 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 determined the value of the programs included in the offers to the Community. At the same time, the Team analyzed the programmatic outcomes and assessed the appropriateness of the City’s investment for the outcome achieved. The Civic Results Team provided important feedback to offer writers as well as the Mayor and Department Directors as they worked to balance the budget.
Requests for Offers (RFOs)	<p>REQUESTS FOR OFFERS</p> <p>Results Teams designed “Requests for Offers” (RFOs) that related to its specific priority by identifying factors and sub-factors that contributed to that priority and developed purchasing strategies that answered the following questions:</p> <ul style="list-style-type: none"> • Where should the City focus its efforts and resources? • Where can the City have the most impact? • Where should Redmond influence others? • Are there generic strategies that apply to all offers?
RFO Process	The Results Teams invited City staff to submit budget offers that responded to the RFOs and to specific purchasing strategies with the understanding that the offers would be reviewed first and then ranked by the Results Teams upon completion using the factors in the RFOs as criteria.

Budget Requests
are Submitted as
Offers

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 activities 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;
- 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 improvements efforts that have been undertaken to increase capacity and create efficiencies.

All City Funds
Included

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

High Level
Indicators Developed
to Measure Progress
toward Priorities

Dashboard Indicators
for Each Priority

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 results for the City. Logic models, an additional measuring component, were added to the 2015-2016 Budget as well. Each budget offer includes a logic model which describes how their program or service is linked to one of the City's key performance indicator dashboard measures.

In June 2015 a cross-departmental staff team (Dashboard Measure Review 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. The criteria the team used in their assessment included:

- The dashboard indicators and measures should be clear and understandable to the Council and the Community to communicate the City's performance;
- Dashboard indicators should align with the six community priorities;
- Budget offer and departmental performance measures are subordinate to, but need to be aligned with the dashboard indicators; and
- Dashboard measures should be objective and measureable and the cost of the measure cannot exceed the value of the outcome.

In their evaluation, the Dashboard Measure Review Team examined the previous effort to establish the performance indicator dashboard and measures, conducted research of other leading organizations and their dashboards, worked through each measure analyzing the ease of collection and timeliness of the associated data as well as recommended new indicators and measures to support some of the City's major initiatives. The team grappled with several issues and challenges associated with the original dashboard measures, including:

The City Council has reviewed and approved revisions to the Dashboard for use in the 2017-2018 Budget process.

Data with regard to the Dashboard Measures are available on the City's website:

www.redmond.gov/performance

- Many of the measures relied on survey data from the community that, although statistically valid, tends to be more subjective.
- Data was hard to collect for some measures or the data being relied upon was not timely (i.e. census data every ten years).
- Descriptions of the indicators were not understandable or the data being collected for the measure was not consistent with the description.
- Indicators were not considered over-arching or global enough to be a dashboard indicator.
- Measures related to major initiatives, such as the Climate Action Plan, were not present in the original performance indicator dashboard.

After several months of analysis and discussion the team recommended several revisions and changes to City Council. These revisions and changes were reviewed with the Council at the February 23, 2016 Public Administration and Finance Committee meeting, as well as at a Study Session on March 8, 2016. Approval of the revised dashboard indicators and measures was given on April 19, 2016. The updated dashboard indicators for each priority can be found in the Mayor's Message section of the budget document.

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 2008, the six Results Teams had CIP offers to review along with the operating budget offers. The operating budget is for a period of two years while the CIP covers a six-year term. Also, the source of funds for the CIP is more complex than that for the operating budget.

In 2010, an additional Team, the Capital Investment Program 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:

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

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.

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. In July 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 period as the City's Capital Investment Program, as well as provides a longer term outlook into Redmond's financial planning capital needs to advance the City vision.

The goal of the CIS is to provide a framework to align the City's capital activities with Redmond's 2030 Comprehensive Plan vision and span 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. This past biennium staff 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 element of project prioritization became a requirement of the update process.

Thematic
Strategies

In order to establish a method for project prioritization staff started with the development of Thematic Strategies that focused on the key desired outcomes of capital investments for the next six years. They are as follows:

- Invest in infrastructure preservation and replacement across the City to maintain the current levels of service, the reliability of capital assets, and provide timely and cost effective replacement;
- Complete key Downtown infrastructure projects, including the Downtown Park and conversion of Cleveland Street/Redmond Way to two way streets;

Principles

- Continue infrastructure design and construction in Overlake to prepare for light rail in 2022 and support development of a livable urban neighborhood;
- Invest in neighborhoods with key projects that increase transportation choices, connections, enhance safety and environmental sustainability, and improve opportunities to recreate; and
- Continue investments in key opportunity projects that support economic and community vitality.

Next the team developed 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 that ensures that growth pays a proportionate share of the cost of capital facilities related to new development.

Prioritization
Criteria

Each functional area (transportation, parks, utilities, and general government) 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. The criteria are as follows:

- Infrastructure Preservation, Replacement and Risk Mitigation: Capital investments that preserve and improve the reliability and integrity of existing assets;
- Neighborhoods: Capital investments that maintain and enhance Redmond as a desirable location to live, work, play and visit;
- Core projects in Urban Centers: Capital investments at support the Urban Centers and provide the attractive and vibrant environment envisioned for Downtown and Overlake;
- Health and Safety: Capital investments that eliminate or significantly reduce unsafe life-safety conditions;
- Environmental Quality: Capital investments that keep Redmond clean, green, and healthy by protecting, maintaining and restoring our environment and encouraging sustainable consumption and choices;
- High Leverage Value: Capital investments that achieve high value for the dollars invested;
- Plans, Regulations, and Agreements: Capital investments that deliver and maintain needed infrastructure facilities and services consistent with adopted plans, current levels of service, or state or local requirements and regulations or federal mandates; and
- Strategic Initiatives: Capital investments that are key strategic initiatives.

2017-2022 Capital
Investment
Program

Through the application of the Thematic Strategies, Principles, and Criteria staff presented a proposed 2017-2022 Capital Investment Program for consideration in the budget process. The proposal connected 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.

RANKING THE OFFERS

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

During the second and final review, the Results Teams ranked the offers and recommended funding reductions to offers based on an estimated funding gap for each priority. This was an improvement in the process from prior budgets where Results Teams were provided with a limited funding allocation that they could use to fund offers at different levels. In the past the Results Teams tended to focus on the details of the funding allocations instead of focus on the value of what each offer provides.

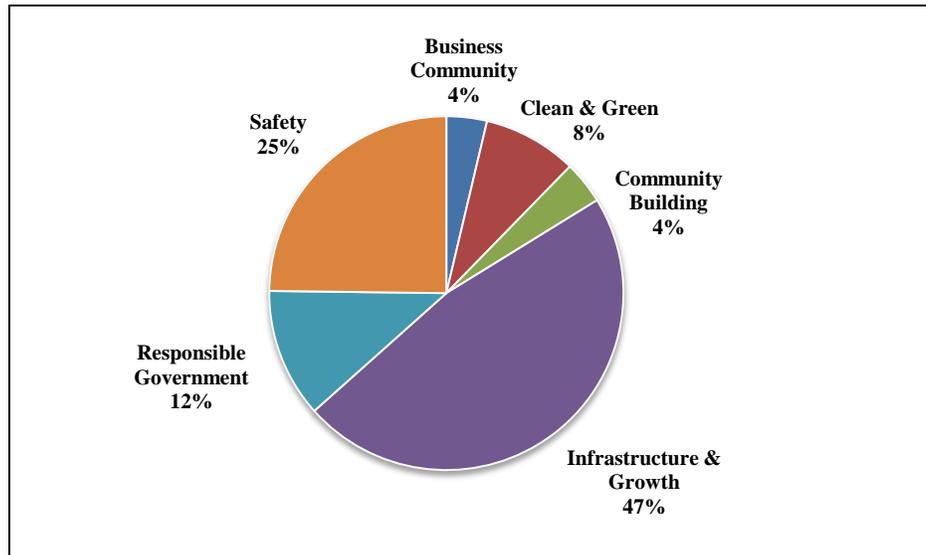
RECOMMENDED BUDGET

In July 2016, the Mayor received the Results Teams rankings, with suggested funding levels for the various offers 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 and other needed changes.

When the final revenue estimates for the 2017-2018 Budget became available in August, 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.

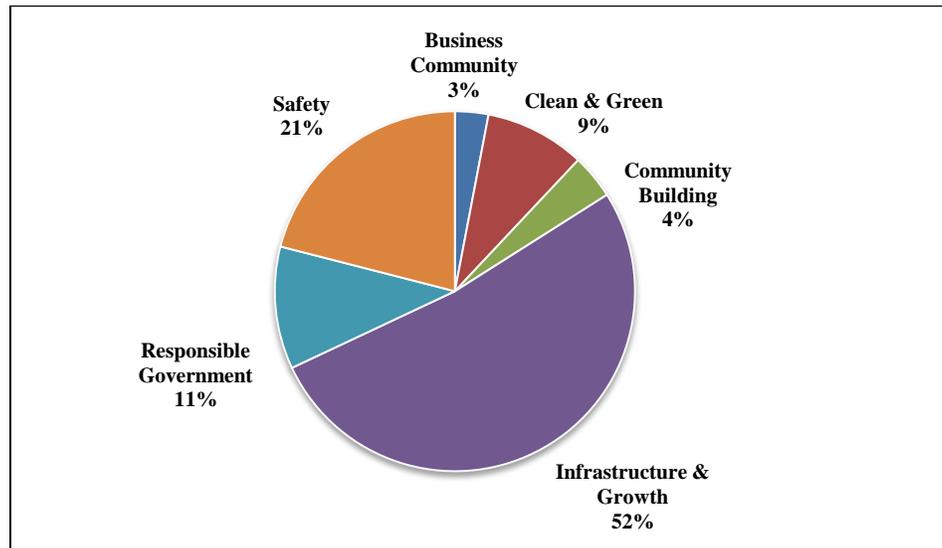
Funding by Priority
in 2015-2016 Budget

Adopted 2015-2016 Budget by Priority



Compared to
Funding by Priority
in proposed
2017-2018 Budget

Proposed 2017-2018 Budget by Priority



Use of Budgeting by
Priorities is Affirmed
by the Results

BP PROCESS AFFIRMED

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

Continuous Improvement

LEAN and Process Improvement

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

Over the past four 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.

CONTINUOUS IMPROVEMENT

City staff has developed an inventory of continuous improvement efforts to date for the 2015-2016 biennium. The following list highlights just some efforts that have created capacity and efficiencies within our programs and enhance service delivery. Whether it is undertaking a LEAN project, exploring other process improvements or proposing innovative ideas, City staff is committed to continuously improving the services provided to the community. Some of these activities include:

LEAN and Process Improvement

- Provided LEAN Green Belt training to 29 City staff through an intensive 10 week program.
- Customer Service Improvement Project – Resulted in recommendations to improve the City’s customer focus by making changes to City Hall space, dedicating staffing to customer service functions, standardization of work, implementation of technology and enhancing the cultural elements that demonstrate the City’s commitment to its customers;
- Police Case Report LEAN Process – Identified and removed redundant and unnecessary steps that resulted in less time officers spend on paperwork and allows more time in the field. It also removed unnecessary steps from Data entry so the Records Division can file reports quicker;
- Introduction of an Organizational Excellence Initiative to create a sustainable organizational structure to

LEAN and Process
Improvement
(continued)

support strategically planned and aligned initiatives that will foster a high level of performance;

- Human Resources Hiring LEAN Process – Significantly reduced the number of days to fill a position by streamlining work, reducing the number of required signatures, developing tools and increasing collaboration and accountability for all staff involved in the process;
- Police Department Reorganization – Realignment of responsibilities at the management level to allow for the hiring of a civilian manager to oversee 911 and Records and Evidence. Provides stronger civilian leadership opportunities and allows commissioned staff to concentrate efforts on operations and investigations. Results in greater management oversight and quicker completion of calls;
- Centralized City communication and outreach efforts to create robust community engagement;
- Implementation of a new Performance Appraisal process and software, Neogov, to create citywide consistency of how appraisals are administered and ensure that they are provided in a timely manner;
- Accounts Payable and Purchasing LEAN Processes – Lead to standardization of work and development of tools and training for City staff;
- GoRedmond changeover to regional platform, resulting in cost savings for website vendor, staff time for processing of incentives and completing subsidy forms, and provides customers with access to a regional calendar to log trips and be eligible for local and regional incentives;
- Citywide Records Storage Reduction Initiative – each department is reviewing records that are currently stored off-sight and working to reduce those records to include only those that the City is required by law to retain;

LEAN and
Process
Improvement
(continued)

- Undergoing a Human Resources LEAN process that focuses on the City's Onboarding process for new employees;
- Continued development and use of asset management principles, software, tools and systems for efficient management of infrastructure assets;
- Fire Prevention completed a LEAN process to improve the assignment, recording, invoicing and completion of inspections. Results have reduced operating costs and time spent on the inspection process. Capacity has provided opportunity to cross train and gain competencies that enable all staff to work on development services permits or the Fire and Life Safety program resulting in a significant increase in the number of inspections that can be performed annually.
- Use of electronic staffing program for the Police Department to track and schedule hours, ensure payroll accuracy and reduce time spent in processing of payroll;
- Reorganization of Human Resources to provide a customer service model that benefits each department;
- Undergoing a Human Resources LEAN process that focuses on the City's Onboarding process for new employees;
- Business License LEAN Process resulted in implementation of software that allows for online business license applications, renewals and payments;
- Development Services Expedited Tenant Improvements, reduced review time from 14 days to same day permit issuance;
- Information Technology Strategic Plan implementation, including governance model and service management process; and
- Continued capital project delivery process improvements including phase gates, standardized

LEAN and Process
Improvement
(continued)

governance processes and construction contract
management improvements.

Innovation Fund to
Support New Ideas

Innovation Fund Efforts

- Greening City vehicles with propane;
- Hydrant inspection partnership;
- Enhancing community engagement with real-time online tools;
- Transitions Police evidence collection, storage and routing to software with increased functionality;
- Install an adequate power supply for City events that occur on the Central Connector;
- Purchase a walk-behind mower designated for Perrigo Park;
- Installation of automatic watering units in the equestrian and cattle areas at Farrel McWhirter Farm;
- Purchase of pipe cleaning and inspection nozzle equipped with a camera for the maintenance of stormwater infrastructure;
- Enhance traffic incident response safety and conveyance of incident information through use of new temporary traffic control signs;
- Provide access to virtual conferencing through acquisition and installation of audio and video equipment in select conference rooms throughout the City; and
- Maximize programming for the Old Redmond School House Community Center gym by purchasing and installing a roll-up court divider curtain.

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 service provision to the community as resources will allow. It affirms the value of the services provided through a robust use of performance management where each programs' intended outcomes are described through a logic model. The data about past performance is also part of the analysis.

Personnel is a Key
Focus Area

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

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