

# In Practice

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## FINANCE

### THE CITY OF REDMOND, WASHINGTON

## Collaboration and Culture Change

BY KATIE LUDWIG

**A**s soon as John Marchione took office as the mayor of the City of Redmond, Washington, in January 2008, he announced that the city was going to adopt a 'budgeting by priorities' approach to developing its next biennial budget, which was slated to go before the city council for approval in the fourth quarter.

Chief Operating Officer Malisa Files was the interim finance director at the time. When the mayor called her into his office and announced the change, "she gulped and said OK," he said.

John and several members of the city council had read the classic book,

*The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* by David Osbourne and Peter Hutchinson. He was intrigued by many of its ideas and decided that he wanted the city to focus on outcomes rather than just line-items in its budget.

Before he was elected as mayor, John had served on the Redmond City Council, so he understood how the city approached its budget. "The budget process we went through in 2006 was difficult," he said. "Do we increase by two percent or four percent? It meant nothing. It didn't tell you what more or less would happen, and you couldn't compare it to other choices you had in

the budget. I wanted to have a logical way to make decisions instead of pulling numbers out of the air."

"Most leaders want to be thinking about the future; they don't want to get lost in the details. This kind of budgeting process gets you there," said current Mayor Angela Birney, who was elected in 2019 after John decided to not seek re-election. "It also helps you get away from particular personalities of particular departments. It pulls people out of that space and gets them thinking in a different way. I think that is important for improving the way in which cities function, and for getting rid of silos."

### First step: getting buy-in

As a first step to implementing budgeting by priorities, John, Malisa, and a small team developed a plan to educate all city employees about the new approach. They also developed a process and mapped out the year. By the end of his first month in office, John was meeting with employee groups to discuss budgeting by priorities. “I remember hearing from the sewer guys, who said ‘we’re not going to be prioritized very high.’ I explained that how much we buy of something is really the question,” he said.

Malisa believes this outreach to staff was crucial to getting initial internal support. “In 2008, we began with putting together not only a team in Finance to carry this forward, but also a team across the city that was going to help us rethink the budgeting process,” she said. “We brought in people who had been critical of the budgeting process

The City of Redmond's 2023-2024 Preliminary Budget can be viewed online at [redmond.gov](https://redmond.gov).

before. We brought in staff from all levels—directors, deputy directors, all levels of the organization—to help us with it. And I think because we paid attention to the internal culture change, we got a lot of buy-in for the process.”

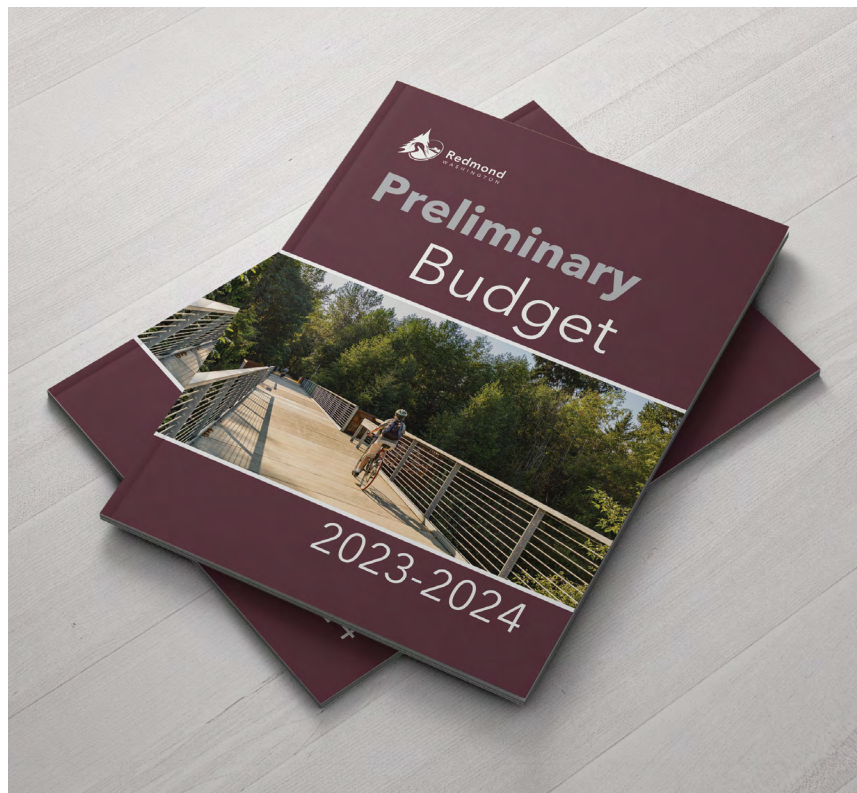
The process of obtaining that buy-in was not always easy, though. “Department directors were the hardest group to convince about buying in to the new process,” Malisa said. “They saw it as a lack of control because we have the staff teams looking at budget programs and deciding for themselves what would be in the budget. They saw it as, ‘You’re taking away my control of my budget programs.’ Public Works saw it as a lack of control over the enterprise funds, which they had always had control over so they could decide how much rates were going to be raised. They were hard to convince, but then we got to the conversations with the council, which was not asking them all these nitty-gritty details that nobody cares about. They found that the conversation was actually better than they’d expected. I’m not saying they didn’t complain



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quite a bit, but they finally understood, and most of them flipped to actually appreciating the budget process. But they were a hard sell, and if we hadn’t had the council’s backing or the mayor’s backing, I don’t know that we would have gotten them on board.”

When the city first set out on its budgeting by priorities journey, Kelley Cochran, the deputy finance director, was working in Public Works, which is responsible for the city’s water, wastewater, and stormwater utilities, along with the capital programs that accompany those services. “Budgeting by priorities was scary because it’s a very data-driven process,” she said. “It’s very transparent, and it puts you in a really vulnerable space.”

People were uneasy about sharing their performance data and talking about why their department might not be performing the way they want to be performing,” she said. “People are fearful to put that out there, as if it’s some kind of a failure.”



John said he spent a lot of time and effort explaining to staff that it's important to know why you did or didn't hit a goal. He encouraged staff to use budgeting by priorities as a chance to learn and try new ideas. "The only failure is not to learn," he said. "People didn't believe me. One group didn't meet their goals, but they got highlighted for trying something new."

Within a few years, most of the staff was comfortable sharing their data, Kelley said. "We've gotten so much better at using data to tell our stories and focusing on what's important because we have all the details in front of us."

"I have never regretted sharing our situation. Whether it's our financial position or whether we hit a mark or didn't on a performance measure, there is always a story. There's always something to be learned. That's at all levels of the organization," Kelley said. She believes that it's critical for leaders to create a safe environment in which staff feel comfortable having conversations about what isn't working and how to make it better or to stop doing something because it's not working.

### Engaging with the community

To help get budgeting by priorities off the ground, the city also hired a consulting firm to put some structure around the process. The consulting firm helped outline the technology the city would need to have in place to make budgeting by priorities a reality and helped develop a community outreach plan.

One of the first steps in implementing the community outreach plan was talking to the community to determine what they wanted the city to focus on. "We held focus groups because we needed to know the community's priorities. They came up with seven priorities for us, one being K-12 education. Since K-12 education is the mission of the school district, we set that one to the side and went with the other six that they prioritized," Malisa said. Redmond's first budgeting by priorities budget, the 2009 to 2010 budget, was built around those six community priorities.

The city also organized a Civic Results team, a group of volunteers from the community who would meet regularly during the budget development process to learn about the city's finances and help make budget decisions.

John explained that he "wanted the voice of the customer to be part of the process." He believes that having the Civic Results team evaluate budget offers is an opportunity for the city to tell its story and to educate residents about what their tax dollars are purchasing.

To recruit members for the Civic Results team, the city put out a press release and spread the word to all its boards and commissions. It asked community members to commit to one night a week for ten weeks. The outreach resulted in 12 community members signing up in 2008. During the COVID-19 pandemic, the city moved the team to virtual meetings, and that additional flexibility increased participation to approximately 30 people. So, the city decided to stick with the virtual meetings.



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The city still uses the Civic Results teams. "We want to make sure the community has an opportunity to chime in," Mayor Birney said. "They aren't the final decision-makers, but they have a say."

The current mayor noted that an added benefit of getting the public involved in budgeting by priorities is that they become "great salespeople for the city." She hopes that over the long term it will get them interested in volunteering in different ways, maybe as part of one of the city's boards or commissions.

### Engaging with staff

In addition to the Civic Results teams, Malisa said the city formed a Staff Results team for each of the priorities. John and Malisa reached out to department directors and asked them to recommend their "up-and-comers" for participation. The city also extended an invitation to any staff member who was interested in the process and had the time to commit to the project. All interested staff members had to do was ask their supervisor to approve their participation. "We saw it as a real educational opportunity for people who don't get involved in the budget to get a bird's-eye view of what was going on," Malisa explained.

John remembers when a group of employees came to him in 2008 and said, "This is too hard, we'll do this next time." He met with them and stood his ground. "We're not going back. We have to get this one right," he told them. "If you can't do it, then I'll do it, but the budget you write will be better than the budget I write."

### Tweaking the process over time

"Every biennium we've learned something new," Kelley said. "We always make adjustments. We've never done things exactly the same way."

One change the city made to the process during the 2023 to 2024 budget development cycle is that the Staff Results team was made up of deputy directors instead of staff from all levels of the organization. "We used deputies because we realized our deputy directors don't really get a global view of the city, and this was one way to give them that, as we struggled with budget decisions," Kelley said.



Located 15 miles east of Seattle, the City of Redmond is also known for being the home of Microsoft and Nintendo of America.

In the time since budgeting by priorities was first launched, the city has also conducted another round of community focus groups to update the priorities. As a result of these meetings, the six original priorities were narrowed down to four broader priority areas. The city has also incorporated the priorities into its annual community survey.

Malisa said that the city has also gotten more efficient in its budgeting by priorities process. “We spent pretty much the entire year budgeting. Now we’ve gotten it down to about six months.”

Another change the city has made since the introduction of budgeting by priorities is to separate out the capital planning and budgeting process from the operating budget process. “In 2008, we threw everything into the budgeting by priorities process, including capital, and we realized that it was really hard for our teams to grapple with capital

because it has such a longer time horizon. They were looking at two years of operating and six years of capital, and it got to be too unwieldy.” The city now tackles capital planning and budgeting in what it calls its “off-budget years.” [As Redmond does a biennial budget, it only goes through the process every other year.]

### Benefits of budgeting by priorities

Budgeting by priorities has provided many benefits for Redmond. The focus on outcomes has led to better conversations with the council, for example. Instead of council members asking detailed questions about the travel and training budget, they now ask much more meaningful questions about the outcomes the city is trying to achieve. “Department directors really had to think differently about how they were going to tell their budget story and really focus on outcomes,” Malisa said.

Another benefit is that more people in the city understand the budget and how it is developed. “We decided to bring



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FORMER MAYOR,  
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a whole bunch of people in because the budgeting process before we went to budgeting for priorities was a black hole,” Malisa said. “The draft budget went into the mayor’s office, and it got turned around and came back out. Nobody knew exactly why decisions were made, and because of the lack of transparency, the community definitely didn’t know. So it was difficult for the community to comment on the budget during the public hearings.”

John changed this dynamic when he initiated budgeting by priorities in 2008. “Prior mayors balanced the budget themselves,” Malisa explained. “Mayor Marchione balanced the budget with his directors team because he figured the only way he could get that cross-departmental collaboration was if you sat in a room and watched people struggle with the budget decisions that need to be made. His philosophy was that you have to care as much about your fellow department as you do about your own because that’s the only way the city can be successful.”

Kelley believes this collaborative approach to developing the budget creates more awareness and buy-in among city staff and the city council. Because the full directors team understands why and how decisions were made, they are able to tell the budget story much more clearly. When the budget is presented to the city council, the entire directors team is there to represent the budget, not just the mayor or the finance department.

Mayor Birney agrees. “All departments have to work together. I think it’s important for each director to understand how their department interacts with others. Budgeting by priorities allows them to see how things are connected, not just in balancing the budget, but in all the work we do.”

As a result, it has taken some time, but department directors have gotten more comfortable with holding each other accountable. Malisa shared a story from a 2023 to 2024 budget balancing meeting where the fire chief was asking for funding and said that if it didn’t come through, the results could be “catastrophic” for the fire department.



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The parks director interjected and asked the fire chief to refrain from hyperbole. “By bringing people together—and certainly this doesn’t happen overnight—they get a little more comfortable with each other and feel like they can call each other out. Not in an unprofessional way, not in a confrontational way, but just to say, ‘that’s not going to fly, that’s not cool.’ It takes a while to get there, and you need to get comfortable with each other,” she said.

Kelley acknowledges that the budgeting by priorities approach can be intimidating. “When people join our organization, no matter at what level—whether they’re on the council, the directors team, a staff member—the process can feel overwhelming,” she said. “You get challenged on the value of it because it takes a lot of time. It requires people to pay attention and be involved in things that are not in their wheelhouse. It requires people to let other people into their wheelhouse. So the challenging part

is the buy-in and being able to explain the value, which is one of those things that you really can’t feel until the end.”

Mayor Birney believes the extra effort required by budgeting by priorities is well worth it. “2020 was quite a year,” she said. “We were dealing with unprecedented challenges—financial, pandemic, and meeting-wise. Trying to get people to see the bigger picture was absolutely a challenge. We got through it, but it was really a struggle. Budgeting by priorities helps pull you out of the weeds and keep the focus on longer-term goals.”

Perhaps the greatest benefit of budgeting by priorities is that the city is serving the community better. Malisa believes this happens as a result of the connections that have been built through the process. “It really gave people a sense that the city is all in this together and that we intersect in a lot of places that I don’t think employees realized. So, if one department didn’t do their job, then that meant that the other department would struggle,” Malisa explained. “We have better collaboration between Police and Fire and Human Services, knowing that Fire can’t do their job unless Police is out there with them, doing what they need to do. I’ve seen that across departments. Departments come into the budget with what we call cross-departmental programs because they know these intersections happen, and so they better talk to each other if their program is going to be successful.”

In this sense, it appears that John’s vision has been realized. “At the end of the first year, someone came to me and said, ‘You aren’t trying to change our budget, you’re trying to change our culture.’ I said, ‘You are exactly right.’ I wanted a culture of collaboration, so I figured let’s do it through the money. The other sub-goals are great and purposeful, conscious, and intentional, but the real reason I did it was that I wanted a culture of collaboration and customer service,” he said. “If I could keep the process in place long enough, it could become the sturdiest culture change tool.” ■

**Katie Ludwig** is director of resource development for GFOA.