

EXHIBIT D-2

P1 PROVIDED THAT:

A: Of this appropriation in the General Fund, Fund 100, \$1,700,000 shall not be expended or encumbered until the Mayor transmits the following two reports and are both accepted by Council by motion:

Initial Report to be provided to Council on or before March 31st, 2021 will provide a summary description of the progress through March 1st, 2021, and includes the status, evaluations and expected recommendations from work completed in 2020, of changes and anticipated improvements to the CIP budgeting and monitoring process. This report will also include an outline and schedule of how changes and associated improvements to the CIP process will be implemented in the form of a budget revision prior to December 31st, 2021. Council shall determine acceptance by motion during a regularly scheduled council business meeting within two scheduled business meetings after receipt.

Final Report to be provided to Council on or before July 1st, 2021 will provide the results of an evaluation of the methodologies, reporting, and financial policies as they relate to the Capital Investment Program, and is accompanied within 30 days of submittal and not before 15 days of submittal, by a scheduled council study session with staff presentations of findings and recommendations. Council shall determine acceptance by motion during a regularly scheduled council business meeting within two scheduled business meetings after receipt.

These reports, and required by this proviso, shall be submitted with the purpose of providing Council with the information to determine, and by approved motion and/or ordinance, changes, that will strengthen the City of Redmond's *Capital Investment Plan (CIP)*.

If the Mayor fails to submit either report by the stated due dates herein and completed in a comprehensive manner as defined in section B of this proviso, the expenditure restrictions become in effect until the end of the budget biennium or until Council takes action to amend the budget with a formal budget revision.

B: These reports shall include, but not be limited to, the following:

- 1) An assessment of potential options that will improve CIP definitions in order to provide improved consistency and standardization of what is included in CIP. These definitions shall include nature of assets, dollar amount thresholds, standard project management naming of project phases, life expectancy of asset, staff costs to be charged to CIP, when a study is CIP, equipment purchases, financial plan descriptions and definitions.
- 2) Project and Program planning standards that include defined project phases, business case requirements, benefits justifications, realistic timelines, and measurement and estimates of progress regarding scope, schedule, and budget.
- 3) Improved standardization of risk management planning and oversight communication.
- 4) An assessment of potential options that will improve criteria and communication of investment prioritization and organization of CIP such Safety, Legal Mandates, Grant Opportunities, Maintaining or Improving Service Levels, Cost Savings, Preservation of Assets, Strategic goals,

- 5) Understandable descriptions of major changes to CIP proposed budget that explain change drivers, funding limitations, or other constraints.
- 6) Improvements to budget preparation for the Preliminary Budget and communication with council during the budget adoption process.
 - a) Clear summaries at total CIP, program levels, project levels of expenditures to date, status of planned project milestones, reliable estimates to complete, and timelines.
 - b) Crosswalks that clearly define changes in priorities of CIP budget requests from prior budget period
- 7) Options to improve and communicate a revenue plan that supports appropriation at the project level, establishes fund reserves, and is understandable in its alignment with higher summary levels including budgets by fund levels and other constraints and restrictions of revenues.
- 8) Potential options to improve year over year budget needs of 6 Year CIP
 - a) Evaluate multi-biennial project appropriation implemented in phases with automatic carryover of budget appropriation or continuing appropriation.
 - b) Evaluate advantages and disadvantages of expenditure at the project or program level as compared to expenditure authority at fund level.
 - c) Options to establish improved performance metrics, with emphasis on high cost, high risk projects that monitor scope, schedule, budget, and risk mitigation actions.
 - d) Provide options for establishing a baseline for project budgets that will be used to measure budget to actuals across the life of the project regardless of additional or reduced appropriation not related to scope changes.
 - e) Provide options to measure benefits of project with emphasis on improved safety, measurable cost savings, and improved services in the operating budget
 - f) Evaluation of program or master project level rollup of projects, including potential of expenditure authority at these levels. (Common characteristics, similar in scope, relatively small in scope and budget, and within the biennium duration.
 - g) Options to improve and standardize contingency appropriation consistent with the risk plan and to reflect changes (typically reductions) as risk factors are clarified as a project progresses through the design and construction phases.
 - h) Standard for estimating and presenting costs to complete an existing project based on planned completion of scope, phase, etc. Specifically, a calculated Estimate to Complete by subtracting Estimate at Completion from expenditures to date should not be considered an acceptable number to present to council for budget deliberations.
- 9) Develop reporting options that meet the needs of Council to make informed budget decisions, monitor and provide CIP oversight, strengthen financial policies and collaborate with the Mayor to ensure delivery and investment in capital infrastructure and assets to maintain and improve services to the people in Redmond in a timely, cost effective, and value-driven manner.

P2 FURTHER PROVIDED THAT:

A: Of this appropriation, \$ 300,000 shall not be expended or encumbered within the General Fund 100 and in the Finance Department until the Finance Director requests an audit in writing of the Capital Investment Program by the Office of the Washington State Auditor to conduct an objective examination of our 2019/2020 CIP practices and requests that this audit be completed prior to June 1st, 2021.

