



Helping communities help themselves

A Case Study on Multi-year Budget Planning & Scenario Analysis Auburn Hills, Michigan

Auburn Hills is a Detroit suburb and economic engine for the Southeast Michigan region. The city experienced taxable value declines from a high of \$2.6B to \$1.6B in six years. Property tax revenue went from \$21.7M in 2007 to \$15M in 2015, yet fund balances have been held fairly flat through serious reengineering, attrition and overall efficiency gains. Unfortunately, maintaining the flat fund balance percent also came at the expense of infrastructure upgrades and maintenance, as plans were often delayed.

City council, progressive by nature, requested a five-year forecast in order to look at the financial picture out to 2020 if all capital needs were addressed. The approach was, “If we invested in everything we need to, including personnel, what would the city’s financial picture look like in the year 2020?”

Using the Munetrix model, those assumptions were quickly built into a 5-year scenario and the City’s spendable 2015 general fund balance of 79% ended up as a 5% deficit in 2020. That wasn’t going to work so a multi-pronged plan ensued, keeping in mind service delivery and sustainability.

Step 1. The city manager tasked all departments to come up with cost savings ideas, ideally structural in nature, to gain the advantage of compounding.

Step 2. Workshops were scheduled with city council, department heads, city management and residents to transparently debate and find the best path to success using input from all stakeholders. The meetings were even broadcast on Auburn Hills’ cable TV network in the spirit of open government.

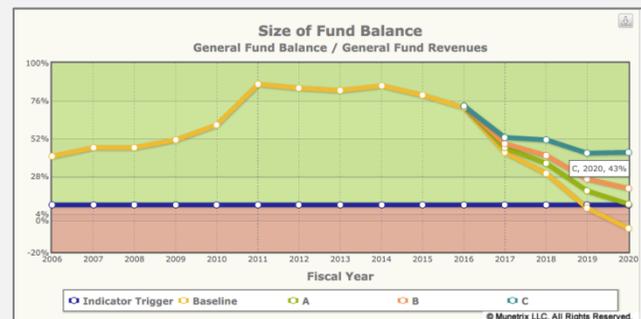
In the first workshop, the department heads identified nearly \$250,000 in savings that when modeled into Munetrix, showed a trajectory that took a -5.2% general fund balance in 2020 to 10.4%. Certainly this was a marked improvement, but not nearly enough.

The rest of the workshop involved a debate on what the right fund balance target should be and then set as policy by city council. The number they agreed upon was 35% using historical Auburn Hills data and state and regional averages pulled from Munetrix. But it was time to introduce some tougher discussions, so some back-room analysis had to be done before the second workshop.

The second workshop became more passionate, with the idea of outsourcing the emergency dispatch call center to the county, and a debate about asking the voters for some help at the ballot box. Both of these could send shivers up any policymaker’s spine.

From an impact standpoint, early investigations showed the dispatch change alone would save the city \$600,000/year. When modeled into Munetrix, the savings took the general fund balance to 20%, still far shy of the 35% goal.

So now to the taxpayers, and some of them were present at the workshop. A millage proposal was modeled into the system, as were some other minor revenue generating ideas. This coupled with a few additional cost savings suggestions the staff members came up with, and all of a sudden, the 4th scenario had the fund balance (as a percent of revenues) at 43% – exceeding the 35% goal.



This image shows the trajectories of all four scenarios, with baseline being the original budget and Scenario C being the all-inclusive package.

A plan was created that met the fund balance goals of the city while allowing it to fund the projects necessary to keep the city safe and operational. At the same time they are now able to provide modest pay increases after years of sacrifice, and meet the increases in pension plan funding requirements caused by the nuances of GASB 68.

Management Concern: City council was all lathered up in the workshops, but would they have the courage to stick to it now that the smoke has cleared.

The answer was a resounding YES. The clarity of the workshops and what these decisions meant to the fiscal

health of the community were enough for all policymakers to stand tall in the wake of political outcry by very few citizens. The fact that the citizens were part of the process, either in person or by virtue of the meetings being televised, gave council all it needed to make tough decisions.

Since then,

- The union ratified an amended bargaining agreement to send the dispatch to the county, and city council adopted the resolution to do so.
- City Council unanimously approved the ballot initiative and final ballot language has been approved by the county clerk and included on the August 2, 2016 primary election ballot.
- A timeline for all steps administration had to take to get this done was built in Munetrix using the embedded project management and Gantt charting tool, publicly accessible on their transparency page.

- The ordinance for Special Assessment Districts was amended such that future commercial/industrial district road improvements will now be shared 50/50 between the City and property owners when historically the City bore 100% of the investment for those costs. Businesses make up 80% of Auburn Hills' tax base.
- The full display of the workshop elements and scenarios will be publicly available on Auburn Hills' transparency page in Munetrix so the policymakers can use it for educational purposes with the voting public and for other interested parties to peruse at their leisure.

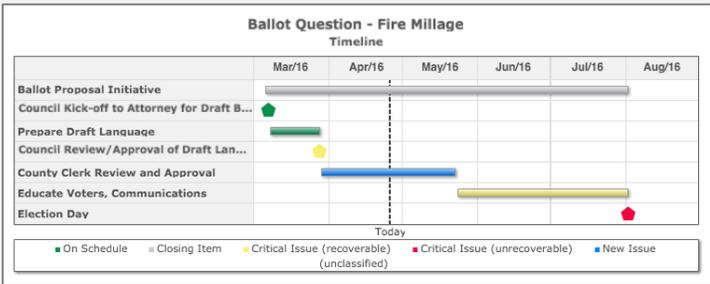
Summary:

- City council had the ability to play "What-if" studies in the system, as councilmembers frequently have their own ideas as to what will fix problems.
- The public's participation in the sessions allowed the tough issues to be addressed openly and with extended dialogue, to ensure everyone had a firm grasp of the issues.
- The Finance Department did not have to go through painstaking analysis and explanations to justify any actions.
- The City Manager was able to shorten the amount of time it took to execute legal and other administrative tasks due to absolute clarity from the process.
- There has been no citizen backlash due to the transparency associated with the entire process.

I don't know how many W's you can build into a Win-Win statement, but in the case of Auburn Hills, there were a lot of them.

The city is now preparing its Capital Improvement Plan with Munetrix's recently launched Capital Planner App., a decision analysis tool for local units that numerically prioritizes capital spend based on a weighted value.

This tool also allows projects to be shifted forward or backward in time, in order to smooth the peaks and troughs associated with available capital needs versus available funding.



Issue / Action	Task Status	Responsible	Impacted	Date Initiated	Target Date
Ballot Proposal Initiative	On Schedule	City Council	Residents of Auburn Hills, Fire Dept	2016-03-06	2016-08-02
Council Kick-off to Attorney for Draft Ballot Language	Complete	City Manager	City Attorney	2016-03-07	2016-03-07
Prepare Draft Language	Complete	City Attorney	City Manager	2016-03-08	2016-03-28
Council Review/Approval of Draft Language	Complete	City Council	City Manager	2016-03-28	2016-03-28
County Clerk Review and Approval	Complete	City Clerk	County Clerk	2016-03-29	2016-05-23
Educate Voters, Communications	Critical Issue	City Council	Residents	2016-05-24	2016-08-02
Election Day	Critical Issue	Clerk	City Council	2016-08-02	2016-08-02

These images shows the Auburn Hills Gantt chart & timeline from The Munetrix® ProjecTracker™



Kevin McDaniel has been an Auburn Hills councilman since 2011, and was elected by his peers to serve as Mayor twice; in 2013 and again in 2015. McDaniel is a fourth generation resident of Auburn Hills and the youngest mayor to ever serve the City. He is a healthcare consultant and Oakland University graduate, and received Oakland County Executive L. Brook's Patterson's Elite 40 under 40 award in 2013 for his impact on and dedication to public service in Oakland County.

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